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INFRASTRUCTURE AND JOBS

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BEFORE THE

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS UNITED STATES SENATE

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INFRASTRUCTURE AND JOBS

FRIDAY, JANUARY 28, 1983

U.S. SENATE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,
Washington, D.C.

The committee met at 1 p.m., in room SD–406, Dirksen Senate Office Building, Hon. Robert T. Stafford (chairman of the committee) presiding.

Present: Senators Stafford, Durenberger, Burdick, and Moynihan.

OPENING STATEMENT OF HON. ROBERT T. STAFFORD, U.S. SENATOR FROM THE STATE OF VERMONT

Senator STAFFORD. The Committee on Environment and Public Works will come to order.

It is a great honor to welcome this distinguished panel of mayors this afternoon who are here to help us with the problems we see in trying to increase employment opportunities in this country, an area in which this committee has long had jurisdiction.

I should say to our distinguished guests and to those in the room, that we have run into a double unexpected conflict this afternoon which is that a dinner is in progress right now for the President of Egypt, President Mubarak, and then as soon as that concludes, the Senators in attendance at it are requested to repair to the White House for a briefing on the President's budget. While I hope some of my colleagues get here, I want to stress that their absence does not indicate a lack of interest in the subject. Therefore, we have only the chairman present at this time.

This hearing is the first in a series that will be conducted by the Committee on Environment and Public Works on the issues of infrastructure and jobs. We have scheduled additional hearings next Wednesday and Thursday.

Following these preliminary hearings, it is my intention, assuming my colleagues concur, to draft legislation for introduction later in February. The committee will resume hearings on that bill, and related legislation, as soon as possible, with the hope that we will be in a position to report legislation to the Senate around Easter.

I want to recognize that some of our witnesses may, in the past, have been critical of some of the policies that members of this committee have supported.

I do not believe that our witnesses today, or later, should be considered in any way hostile. If we are to solve problems confronting our Nation, we must work together in a spirit of bipartisanship. Rural States must work with the big cities. The problems of Detroit

relate directly to the problems of Tucson. Pittsburgh cannot solve its problems without the help of Peoria, and vice versa.

I say that in an effort to encourage each of our witnesses, as well as everyone interested in this issue, to be as constructive as possible. We must work together on solutions, not the casting of blame.

This committee cannot establish defense spending levels or alter tax policy. But we are in a position to determine how to improve roads, dams, public buildings, sewers, and water systems in America—the taproot of urban life. We are also in a position to encourage and foster jobs programs, to help those among us who have been out of work to become productive again.

It is unlikely that we can accomplish this goal simply by throwing money at the problem. Rather, we must find, may I suggest, better ways to spend the limited money we have to meet public works needs, while simultaneously cutting into the unemployment problem.

We look to our witnesses for help in finding those solutions, for discovering some practical answers to some very practical challenges.

Thank you.

Before calling on the mayors to testify, I want to again say that I appreciate your coming here to help this committee, and it will be my intention to go through all the witnesses before we come to questions, if that is agreeable with you.

Having said that, may I first invite the most able and distinguished mayor of Detroit, Mayor Young, to be the leadoff witness.

STATEMENTS OF COLEMAN A. YOUNG, MAYOR, DETROIT, MICH.; RICHARD CALIGUIRI, MAYOR, PITTSBURGH, PA.; HERNAN PADILLA, MAYOR, SAN JUAN, P.R.; CHARLES ROYER, MAYOR, SEATTLE, WASH.; AND KATHY WHITMIRE, MAYOR, HOUSTON, TEX.

Mayor YOUNG. Thank you very much.

First of all, I want to thank you and the members of your committee for inviting the Conference of Mayors to testify before this committee so early in this 98th Congress.

I can think of no more appropriate joining of subject matter than a hearing to combine the need for infrastructure—which seems to be the new in-word these days—and jobs. There is no question that jobs and the economy are uppermost on the minds of the American people, and they certainly rank high among consideration of every mayor. We have met in the Conference of Mayors, Mr. Chairman, over the last 3 days, in a spirit that reflects the basis of your invitation to us to testify. There was a minimum of acrimony and partisan bickering between us, because as we have remarked during the course of our discussions, the economic crisis that besets America today does not stop at the Frost Belt—it also absorbs the Sun Belt and does not stop with Republicans; it does not stop with Democrats; it does not stop with white folk; it goes on to black folk.

We see a universal solution. We recognize that the Congress has many priorities. I cannot think of any priority more important to the Congress, to the American people and to the cities that deal with increasing crises of the economy.

You know, Mr. Chairman, there are 12 million of us in this country out of work; some cities, like my own, actually are at depression levels of unemployment. Others, who thought they were immune a year ago, find themselves in the same boat as we. The State of Michigan is teetering, after having cut, cut, cut, and increasing taxes over the last several years, facing today almost $1.5 billion deficit, and our State is required to balance the budget, we can't carry deficits.

It might surprise you to know the State of California, the Golden State, has a deficit that exceeds ours, and that's the degree of the problem.

Now most of these problems have been in existence for a number of years. The current economic condition that we face dates back to the early seventies in the original Arab oil boycott, and that means there has been a steady neglect of the infrastructure, literally our bridges, roads, public buildings, water systems, sewer systems, they are all falling apart. The cost of this delay by geometric proposition builds up every day, so it is not a waste of money to repair the infrastructure. At the same time, I can think of no enterprise better designed to put people to work and to put people to work quickly. So I think there is a happy marriage here of the problems of jobs, or lack of jobs and the infrastructure.

We have been spending our time attempting to come up with a program to these problems. We met earlier in New York, in Philadelphia, in Houston, trying to promote a cooperation between the public and the private sector. I think we have had outstanding cooperation from our Nation as we have attempted to define an area in which the private sector cooperates with the public sector and commonly addresses our problems.

We here today, this week, rather than argue philosophy, have a pragmatic approach to problems, so what we present you with today—and I will leave a copy of these proposals with you—are emergency measures we feel should be taken to meet our current economic program. I will indicate to you that in addition to a continuation of the community development block grant with which I am sure you are familiar, and which at least some Members of this Senate believe should be increased. We would like to see a continuation of revenue sharing at increased levels of funding.

I have a list here I am following, and we have proposed an increase of $5 billion in the community development block grant, an increase of general revenue sharing including inflation to $7½ billion.

We reached that figure because we inserted the States in the general revenue-sharing formula. It serves little purpose to cut the States from revenue sharing and then set the States at odds with the cities and the counties over insufficient money. We will all suffer in the end.

Countercyclical fiscal assistance proposed to be funded at $2 billion, and together that would be $14.5 billion expansion of existing programs.

There are several new programs, the first of which, and the most important, speaks directly to the purpose of this hearing. We are proposing—and I feel it is a modest proposal and I depend upon your committee to consider it and perhaps expand it—we talk

about $10 billion for a urban infrastructure/jobs program. I am sure you know, in view of the need, it certainly is not too much. It is not enough but it is a beginning—and we propose the type of program that can quickly translate appropriations into jobs.

To give you an example of what I mean, we are at an urgent time of the year for cities. Most are in a fiscal cycle which ends in June. That means right now we are preparing our budget. I must appear before my city council in the next 2 months with a budget. If I am going to do that, I need some early knowledge of what you are going to do, what the States are going to do, to know what we are going to do. In the last several years, I have had to cut and cut and cut, and we are now to the bone. I think every city in the country is to the bone, and that is why we come here, the court of last resort. That is a $10 billion item.

We propose to resurrect an old idea, a new form of Reconstruction Finance Corporation, loans to stimulate business, to loan money for infrastructure, if you please, bonds.

I am sure you know many, many cities in this Nation and some States are in such bad fiscal position they can't float bonds on the bond market, or if they can, it is so low, the interest rate is prohibitive. An RFC cannot only advance loans to corporations, but can also provide a source of financing of infrastructure.

Finally, Mr. Chairman, a matter which is quickly emerging as a critical issue, I think we must have known it, we are just beginning to recognize it. We talk about 11 percent unemployment, we talk about one out of 10 Americans being out of a job. In a city like mine, that rate would be almost one out of four, then we would know that there would have to be some people hungry, some people without homes. You know that right here in Washington. Just the other day as the President was delivering his state of the Union address, there was a soup kitchen truck that pulled up to the park across from the White House serving hungry people right here in the Nation's Capital.

I read in the newspaper just yesterday, here in Washington, about a baby just 2 months old dying of starvation. There have been at least three people who froze to death in the parks of our Nation's Capital. Now, if it is that bad in Washington, you can imagine how bad it is in Detroit.

Our city government has been distributing cheese—cheese which the Federal Government provides. I have read, but have not had a chance to call back to Detroit yet, that there are 85,000 people lined up to receive cheese and butter from the Federal Government.

So what I am telling you—and any superficial examination will reveal it is true—is that there is an immediate and critical emergency involving hunger and shelter in our Nation, and we propose an emergency assistance program amounting to $2 billion for food and shelter in this country right now.

In Detroit, the matter is so critical that after a—about 1 month before Christmas, as mayor of the city, I declared a state of human emergency in our city and called upon all our citizens, private and otherwise, to come forth with food, with money, with all kinds of volunteer services to help feed the hungry and provide shelter. I requested the outgoing Governor, Gov. William Milliken, of Michi-

gan, to make a declaration on the State level, because Detroit is not the only city in Michigan so beset—so is Pontiac, so is Flint, so is Benton Harbor, so is Lansing. The Governor found it to be true and, in an unprecedented speech, declared a state of emergency in the State of Michigan, a human emergency.

It is my opinion that this Senate ought—this Congress—should be redefining, just what is a state of emergency. That would call upon the Federal Government to respond, to acts of God—I am not talking about tornados and storms, but what about acts of man. I am speaking now of a recession. Well, I think we should respond to that.

So these are some of the problems we bring to you this morning. Key and most central is the $10 billion item that I have raised on infrastructure and jobs. The other amounting to total of some $31½ billion, I think would be minimum and key to the continued ability of our cities and our Nation to move forward, and I would hope we can expect any time we have, because time is running out.

Senator STAFFORD. Thank you very much, Mayor Young.

Without objection, your testimony and attachments will be made a part of the hearing record. (See p. 28.)

Next in the order on my witness list is the most distinguished mayor of Pittsburgh, Richard Caliguiri.

STATEMENT OF RICHARD CALIGUIRI, MAYOR OF PITTSBURGH, PA.

Mayor CALIGUIRI. Thank you, Mr. Chairman and members of the committee, for this opportunity. I also have made available to you a copy of my testimony, so I will refrain from reading the entire testimony, and I agree with you, Senator, that this should be a very constructive, cooperative partnership. I would like to thank you and Members of the Senate for your tremendous efforts on behalf of the Surface Transportation Assistance Act of 1982. This legislation is solid evidence of a new, bipartisan national commitment to address the severe infrastructure problem our country faces.

When you talk about the word "infrastructure", it truly is the building block of our city, because if we cannot rebuild our cities, our roads, our bridges, our utility lines, our mass transit systems, then these cities will fail, and as was mentioned by Coleman Young, we not only talk about the older eastern cities, but certainly cities like Houston, just trying to keep up with the increased demand infrastructure base of how quickly they have grown over the last several years.

Pittsburgh is an example, and it is familiar. I have a responsibility of some 130 bridges, totally, there are over 450 bridges just within the city of Pittsburgh, and over the last 5 years, I have either replaced or rehabilitated 25 of those bridges. One of them cost some $25 million to repair. Along with that, we have a number of roads, utility lines, and as I mentioned before, the mass transit. When all these utilities were built some 60-plus years ago, the city had some 700,000 people in it with a tax base to continue that type of activity. With the demise of our population, not only in Pittsburgh, but all these other cities, we have lost our tax base.

Pittsburgh is now a city of approximately half a million people, yet I am responsible for regional activity that supports 2½ million. I can't lessen a bridge, I can't reduce the road system, I still need all the utility lines. We are in the process of building a subway system in Pittsburgh, and three out of four people that utilize the central system are in the suburbs. Pittsburgh should be a regional city, but we can't do it alone.

Let me say here, we don't come here with an empty hat. Most cities, I think you will find, have met their commitment, have increased that responsibility. I put a moratorium on all activities aside from the infrastructure, placing literally millions of dollars of borrowed money through the bond funds, other moneys we get from the State and revenues from the general revenue to go ahead and rebuild these facilities so that we are doing our fair share, and what we are asking for is a recognition that this basic commodity, if I may use that term for our cities, we must continue to reinvest, we must recognize that it does, not only for the cities, but each and every one of us that live in and around our great cities.

How do we address these needs on a long-range basis and let me go through these briefly.

First, we mayors plan to do our part by lobbying to assure a promise of the Transportation Act of 1982 at the authorized level. I think that is vitally important, because we hear things about freezes and so forth.

Second, we must recognize that even at current tax exempt interest rate levels, we cannot support an adequate amount of infrastructure investments and that long-term, low-interest bond financing must be made available for States and local governments.

Third, we must recognize that there is a pressing backlog of public works projects that Federal, State, county, and local governments are ready and able to address if the dollars are available. Reducing this backlog quickly is essential if we are to avoid crises and facilitate an economic recovery which includes basic industry. The fastest way to do this is through a temporary grant program.

Fourth, we must find a simple allocation mechanism which enables each region to define its own priorities. Bridges are important in Pittsburgh, subways in New York, waterlines in Tucson, et cetera. Geography, climate, economic, and politics make our national development priorities different and this diversity should be recognized.

And fifth, we must develop allocation mechanisms which can cut across intergovernmental and jurisdictional boundaries when necessary to assure that big ticket items such as locks and dams—and again an item that has been forgotten about, we just placed those in cities such as Pittsburgh and for the last 50 years just have neglected these very important facilities. As recognized by the recently renewed interstate transfer program, tradeoffs will have to be made in order to accomplish our transportation and economic development objectives on the most cost-effective basis. Programmatic barriers between different Federal and State programs, may have to be broken down further.

I am not here to ask for any kind of fiscal bailout. And I don't believe any of the other mayors are here to ask for that either. As I said before, Pittsburgh is doing its share and will do more when

and if needed. We work with the county and the State of Pennsylvania to make these choices. I am here to say the highways, waterways, subways, bridges, and waterways of this Nation are linked together as a national system. When one part fails, certainly the entire system is threatened. The recognition we are linked together is what makes us a nation, and all levels of government are coming to grips with the need to cooperate in repairing our infrastructure. The need for leadership has never been greater than it is today. As long as we recognize that need and rebuilt this infrastructure to create hundreds of thousands of jobs in rebuilding this vital link between our system and our country, I certainly think it is a priority that we have got to establish, not only here, but certainly at the local level as we have done.

Senator, I appreciate this opportunity, and if you have any questions, certainly I would be happy to answer them.

As I mentioned before, my total text is available to you, and again I wish to thank you so much.

Senator STAFFORD. Thank you, Mr. Mayor.

I will mention for the record once more that we find ourselves inadvertently competing with the President of Egypt and the President of the United States for our committees this afternoon. It is not due to any lack of interest in this committee, but members have been preempted.

The next mayor to testify will be Kathy Whitmire, the most distinguished mayor of Houston. And I might say I am sure that Lloyd Bentsen is sorry not to be here today, because we hear a lot about Houston.

STATEMENT OF HON. KATHY WHITMIRE, MAYOR, HOUSTON, TEX.

Mayor WHITMIRE. I am sure you do.

Thank you very much, Mr. Chairman, we appreciate your taking the time to hear from us about the needs of our cities and the concerns we have, and I am especially glad to be able to be here today to talk about the concerns of a fast growing Sun Belt city, as has been mentioned by my two colleagues.

Each of our cities is unique, each has different needs, but we are all equally concerned about the specific needs, particularly in this type of recession, and I do want to tell you that the recession has affected Houston as well.

We have a particular concern in Houston when we talk about this term of infrastructure, which seems sometimes to be applied to the older cities which are known to have deteriorating infrastructures. In Houston, the city has grown so fast, particularly over the last decade, that local government has not been able to catch up as yet in the development of new infrastructure, new public transportation systems, new street systems, new water developments, new water provision systems, and the needs of our airport.

We have not been able to construct those kinds of facilities fast enough to keep up with the growth, and at the same time, infrastructure in the older parts of the city of Houston has continued to deteriorate as it has in other cities. So we would point out to you here that in your consideration of development of your ability here in Congress to address infrastructure needs, that the legislation

needs to be designed in such a way to take into consideration the very critical needs of fast growing cities such as the city of Houston.

I know that Senator Bentsen has had the opportunity to share with you on many occasions his concern—and mine—about the transportation needs of our city. It is generally acknowledged in Houston that public transportation as well as street and highway needs are really the most critical needs that we are facing—our ability to move people around—these issues are critical to the city's future.

We have, in conjunction with our county and our State governments and our private sectors, developed what we call the regional mobility plan for the Houston area. It is estimated today that it would cost approximately $16 billion over the next decade or so to bring our city to the point of providing what we consider a reasonable level of mobility for our citizens. This involves joint effort of governmental entities at the State, local, and Federal level, and we see this as a joint program, one that we have contributed to and plan to contribute to.

We were proud of our citizens in 1978 when they voted a 1-cent sales tax in Houston at a time when other cities across the country were voting for tax cuts and tax limitations. Our citizens voted a sales tax dedicated to public transportation, and we are proceeding now, as you may be aware, to use that sales tax for the development of a rapid rail system which is so critically needed in the city of Houston.

We also saw this year our city council calling on the State to increase user fees in the field of transportation. We recognize transportation is a very critical need, and it will continue to help our cities as well as others in our region by that critical need for development of a capital infrastructure in the field of transportation.

We also recognize the need to preserve the environment and meet the EPA standards and have engaged over the last 6 years in a rather major development, and we have been aided by EPA in that effort. We have not relied entirely on the Federal Government to help us meet these environmental standards, and within the next few weeks you will see our city council considering a new ordinance to require private sector development to contribute to the waste water treatment construction costs in order to provide that portion of the infrastructure to support their new development.

So I will make these points with you as my colleague from Pittsburgh, to say that we are making the commitment locally, and we are asking the Federal Government to continue the participation that it has exhibited in the past in helping us meet the infrastructure needs which are just as critical if not more so in the fastest growing city as in the older cities.

I want to point out also the recession in coming to Houston has caused us to deal with the issue of unemployment. I am glad to say in Houston it is not at the same level as Detroit, but I can tell you for the people unemployed, it is just as severe, and we too are anxious to see some programs instituted at the Federal level to allow us to address jointly the infrastructure development to go with the need for additions in the job market, to go with the need for providing new jobs. We have seen to this point the unemployment that

occurred in Houston primarily focusing around the industry that supports the oil industry.

However, we saw in 1982 that construction work did not continue to increase as it has in prior years. Now that we are seeing a downturn in construction, we would anticipate unemployment in those fields as well, and we see the opportunity to engage in infrastructure programs as a way to provide jobs in that sector which would otherwise expect severe unemployment in the very near future.

We would also suggest you consider in your deliberations the possibility of grants to allow for creation of those jobs in the private sector, because we feel that those kinds of infrastructure projects which create jobs are the most efficient and cost-effective means of meeting these two needs, the infrastructure as well as providing jobs.

We do appreciate the opportunity to appear before you today and are most appreciative of your consideration with these very serious needs of our systems.

Thank you very much.

Senator STAFFORD. Thank you very much, Mayor Whitmire; we are grateful for your spending the time here. We know you probably will be on your way home now were you not asked to serve as a witness here to find jobs quickly for the unemployed people in this country.

The next mayor to testify is the very able mayor of San Juan, Mr. Padilla.

STATEMENT OF HON. HERNAN PADILLA, MAYOR, SAN JUAN, PUERTO RICO

Mayor PADILLA. Mr. Chairman, my name is Hernan Padilla, the mayor of San Juan, Puerto Rico. I am also the chairman of the advisory board of the U.S. Conference of Mayors.

I would like to spend a few minutes here this afternoon to discuss some of the infrastructure and unemployment problems facing the city of San Juan, and the impact Federal legislation designed to reduce joblessness through infrastructure development will have on our community.

The current unemployment rate in San Juan is approximately 14 percent, significantly higher than the national average. Moreover, San Juan is the economic center of Puerto Rico, which has an estimated unemployment rate of 22 percent, higher than that of any State in the Union.

Deteriorating infrastructure or the lack of new infrastructure for San Juan, like many other cities throughout the United States, has severely impeded the economic growth of our city. Although San Juan shares many of the same characteristics of other urban areas throughout the Nation, Puerto Rico's insular location in the Caribbean, isolated from U.S. and world markets, causes San Juan and other Puerto Rican cities to be heavily dependent upon external trade and investment to sustain and promote economic development. Such trade and investment activity is in turn heavily dependent upon modern and reliable infrastructure support systems, including modern airport and shipping facilities and transportation links to all areas of the island.

We estimate that in the short term the city of San Juan will require a minimum of $10 million of investment to merely maintain and repair current infrastructure. This will provide the necessary financial assistance to support the following major areas of need: One, repair of water and sewer systems in several major commercial and residential areas of the city; two, channelization of the Rio Piedras Waterway, which runs through the heart of the Metropolitan San Juan area, and is susceptible to extensive flooding during periods of heavy rainfall which are relatively common in the city; and, three, repair of streets and sidewalks in the Condado section of San Juan, the city's major tourism district.

In addition, San Juan is currently working with interested private developers in the design and construction of a major solid waste resource recovery facility, which is the city's most urgent development project due to limited landfill capacity. While this $100 million project will largely be constructed and financed by private sources, the city will be responsible for key infrastructure development—electric powerlines, access roads, and water and sewer systems—estimated to cost $5 mlllion. Furthermore, the development of a related district cooling system is under consideration in association with the solid waste resource recovery facility. This system could dramatically contribute to the redevelopment and expansion of nearby hotels and office buildings. This is important because a major part of San Juan's economy is tourist related. Other possibilities include district heating and cooling for commercial and industrial facilities.

Infrastructure support is also needed in several major geographic areas of San Juan, where we are attempting to stimulate and encourage new economic development or expansion.

In Old San Juan, the city's historic zone, street and sidewalk improvements are badly needed, as are parking facilities to alleviate some of the traffic congestion in this high density area. Infrastructure improvements are also needed in the Port of Old San Juan, where cruise ships dock. Port renovations and street improvements will support anticipated private commercial development in this area, providing an important boost to local tourism in Old San Juan.

In addition, the city has extensive tracts of undeveloped and underdeveloped land in and around its urban center. The city is in the process of developing this site into office and commercial space, as well as for new housing and recreation facilities. Again, while much of this development can occur with private resources, the city will be required to support these efforts by providing streets and sidewalks, water and sewer systems. The lack of local funding has slowed this important project.

Finally, we have plans for the eventual repair and renovation of two major avenues of the city—Ponce de Leon and Fernandez Juncos—which are important in our efforts to revitalize the Santurce area of San Juan, an older commercial area currently in a state of economic decline.

Over the next 5 to 10 years, we estimate these projects can be expected to need approximately $30 million in infrastructure support from the city. While some of these activities are currently being undertaken with Federal assistance from the U.S. Depart-

ment of Housing and Urban Development and the Economic Development Administration, current funding levels will not meet the long-term infrastructure needs of San Juan.

As important as infrastructure support is to San Juan's future economic expansion, the city—and Puerto Rico's—major economic problem remains unemployment. This is particularly acute in Puerto Rico's construction industry, where unemployment is a staggering 56 percent at the present time.

I strongly support Federal legislation intended to provide infrastructure support and reduce unemployment in major urban areas. To be most effective, Mr. Chairman, I believe that the limited Federal resources must be targeted directly to major urban centers with unemployment rates that exceed 10 percent.

This legislation should provide local governments with a maximum level of flexibility to implement job-creating infrastructure projects to meet local needs and priorities. A block-grant format—similar to that of HUD's community development block-grant program—would be one way to effectively target limited Federal resources to specific projects with a minimum of unnecessary administrative costs and delays.

This legislation could define eligible activities to include a broad range of projects, including public facilities, highways, street and sidewalk areas, and environmental-related activities, including water and sewer systems. I would strongly recommend also including resource recovery plants and district heating and cooling systems.

Local governments should be encouraged to give highest priority to those projects which can be undertaken immediately, to reduce unemployment during the height of the current recessionary period. Special emphasis should be given to projects that will create permanent employment in addition to short-term construction jobs. Local governments should be provided incentives for hiring young and unskilled workers, a substantial portion of the unemployment problem. And in the interest of speed and efficiency, funds should be granted directly to large cities without the impediments and delays caused by funneling funds through State governments.

Mr. Chairman, the Nation's urban infrastructure has deteriorated to levels which discourage new private investment, particularly in many of our older cities. Government at all levels—Federal, State, and local—must share in the responsibility to maximize limited financial resources to reverse this trend. While enterprise zones have merit, alone they are not the answer. I urge this committee and your colleagues in the Congress to adopt a program to develop infrastructure that will serve as an investment in the future of cities, including my own, across the Nation.

Thank you.

Senator STAFFORD. Thank you, very much, Mayor Padilla.

Your testimony is very helpful, and it is nice of you to be here this afternoon.

The last mayor to testify before us today will be Hon. Charles Royer, the distinguished mayor of Seattle, Wash.

STATEMENT OF HON. CHARLES ROYER, MAYOR, SEATTLE, WASH.

Mayor ROYER. Thank you.

I am Charles Royer, mayor of Seattle and president of the National League of Cities.

I would like to submit with your permission, a statement from Mayor Dianne Feinstein of San Francisco, who was unable to be here today, but wanted me to introduce her statement for the record.

In addition, I would like to introduce for the record a letter which I submitted to our congressional delegation which outlines in some detail the specific problems relative to this committee's interest in Seattle.

Senator STAFFORD. Without objection, both Mayor Feinstein's statement and the letter you referred to will be made a part of the hearing record. (See pp. 48 and 52.)

Mayor Royer. I will try to avoid being repetitive with what has been said here already.

One may think at first blush that there is not that much in common among Pittsburgh, Houston, Detroit, and Seattle, other than the fact none of us is in the superbowl again this year, but we do have something in common, and I think the common theme that came out of the Conference of Mayors meeting this week is that we have in common this unemployment across the Nation.

I was stunned to find the mayor of Santa Ana telling us about people sleeping in cars under the bridges of that city, searching southern California out for work, people who have fled from other cities, Mayor Young's city, primarily, coming to the Sun Belt looking for jobs.

There are certainly people across the country who are willing and ready to work if work is provided.

I would like to make one point about the linkage between anything this Government decides to do about infrastructure and jobs.

It is most important that linkage be made for commonsense purposes. People feel, in my city at least, fixing up the city's roofs and gutters to be the kind of work which can be done by people who have nothing else to do and dying to go to work.

However, that opens any program to the criticism of making work, and I can tell you that that, too, is a commonsense notion that the Federal Government throws money at public works programs which never get accomplished or only after great delay and commonsense, this also tells you that is not good government.

The two are definitely linked, and the case needs to be articulated for jobs and public works together.

The other point I wanted to make about jobs is that jobs out of a public work program often can be long term not related to the specific pick and shovel, hammer and nail project that goes into a public works project.

In my city, a retaining wall which holds up Pioneer Square collapsed and the sidewalk went along with it after years of neglect. We don't see what is under the city, only what shines on top and not what is buried beneath, but the result of that collapse is to deter, in my opinion, a slowly going economic development out of the private sector in that area, spurred on by the tax, the historic

tax, the historic preservation tax incentive, a feeling that this area was coming back is suddenly tarnished by the failing infrastructure.

Long-term jobs in the cities can be hurt by our unintentional findings of our city. Seattle is relatively new, but we are experiencing many of the problems that Mayor Young and the mayors of the Northeast and Midwest have, older Midwestern cities are talking about.

In Seattle, we have committed an amount of staff time to inventory. We have used a citizen's committee made up of business people, lay people, we have involved the public in all our efforts to find out what is it we are talking about when we talk about deferred maintenance, and what specifics are involved.

We documented and put through a kind of testing through the citizen's committee about $200 million in existing deficiencies in roads, bridges, traffic systems, fire stations—and fire stations have not changed as quickly as firetrucks have changed.

The trucks are oftentimes too big to get through the doors, and we are hammering out new air spaces for new fire engines to get in and out.

The public buildings—the old Carnegie Library, those that were built all over the country—are deteriorating, they're historic, we need to save them and need to put new roofs on them.

These are problems that should have been solved yesterday, but we have been up and down in the wood products and air industry so much that we seem to cut maintenance and cut those basic ongoing maintenance expenditures every time we are in a down cycle, and we are there every 10 years or so, more frequently perhaps today.

In that same inventory, we have identified another longer rehabilitation need or needs, some which we can finance from utility rates, but much of which we can't touch with existing local financing.

Also, Mayor Caliguiri touched on this point that local governments are not sitting around waiting for the Federal Government to come in and save us.

In 1970, 75 percent of the city of Seattle's capital improvement program was financed with local revenue.

In 1983, 71 percent of our CIP was financed with local revenue. Over this same period, State revenue supporting our CIP has dropped from 19 to 6 percent. Support from the Federal Government has increased and then decreased from 2.9 percent for 1970, to 31 percent in 1981, and then back down to 23 percent in 1983.

So the local government has maintained its efforts to finance these kinds of improvements while the States and the Federal Government have fallen off.

One problem, when we look to a State like mine where we face $1 billion deficit in 1983, as opposed to a California-sized budget, which is $1.5 billion, we have an enormous magnitude in the State in terms of financing anything locally, anything but prisons and education, and some health. Our State bond rating dropped two notches over the past 1½ years because of its physical process, and the city is near its debt limit, so we don't expect a lot of help there.

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We have ranked an inventory on renovation needs, and I believe we are ready to go with projects that can be underway within 60 to 90 days. We are going to the voters in September of this year in the primary with the $90 million bond issue to finance at least the most urgent priority needs of the $210 million package of which we hope to obtain from the Federal Government through a matching kind of program.

Our other $200 to $300 million of urgent needs will have to wait. But I want to make the point that local initiative is there. Our people in Seattle, when the Federal Government cut back on housing to the low-income elderly, did 100 units of low-income housing. People are willing to pay increases to their taxes for good ideas which make commonsense like housing for the low-income elderly, elderly neighbors priced out of the neighborhoods, or fixing up the streets—before it was dangerous to be downtown in the historic area on the streets.

They are willing to do that if they can see the connection between their own life and own neighborhood and improving that life, putting off long-term rehabilitation over placement with sensible cleaning out your gutters when the leaves get down there over the years.

People are willing to buy that.

I don't buy the notion that there is little political capital in approaching this. Many people say that politicians like to build monuments, not repair them. That is the way one gets elected.

I believe that people achieve political stature today by doing what is seen by a majority of the people and that is how we count at election, what the majority of the people see as good commonsense relative to the kind of approach to maintain the physical health of our city.

Let me just make three quick points, if I may, about any Federal legislation which may emerge. I believe that people want, that people in the government of cities want simplicity, which seems to me to direct not a brandnew program, a brandnew regulation, but an add-on to the general revenue sharing program, to the community block grant program, perhaps something in the area of that.

I also believe that any program that intends to cover the country needs to recognize that the technical capacity of the country to do the kind of inventory we are doing or to try to achieve improvement through renovation technical assistance, a kind of 701 reenergizing program is needed.

And, finally, if the component is to work, there needs to be some recognition and support of an underlying and ancillary to enlarge our manpower for us which can be supplemented by the local government.

In conclusion, Mr. Chairman, the National League of Cities is working with the Conference of Mayors on a survey which will be finished hopefully in February, late February, we will be able to get copies to you.

We have appointed Mayor Tom Bradley to chair a task force through the National League of Cities to begin to inventory the needs around the city and coordinate the National League of Cities, which will be hopefully a formal service to give you the best possi-

ble national picture we can of the conditions of cities across the country.

Thank you, very much.

Senator STAFFORD. I want to thank you for your excellent statement, Mayor Royer.

I will once again stress, we are grateful to all of you for spending the time with us this afternoon, on a major problem our Nation faces.

I know we have imposed on your time; I know you all have airplanes to catch and you may be under time pressure to do that, and on Friday afternoon, please allow generous time to get from here to National Airport or even out to Dulles, if that is where you are going.

I say all this before telling you that I have some questions for you, which if you are under time pressure, we will submit them all in writing along with the mayors who have already left and hope that they will be responded to. But if you have a few minutes, if we don't cause you to miss airplanes——

Mayor WHITMIRE. No, I can stay. I don't know if I can respond regarding my colleagues, though——

Senator STAFFORD. No, we may send questions to them, but we are only asking for your response individually. Before I ask the first question, I would say I am also grateful that Senator Durenberger, who is no stranger to municipal problems, but new to this committee, is here this afternoon, and Senator Burdick, who for years chaired the economic development subcommittee of this committee, and is the committee expert in this field is also here.

Having noted that, let me ask you this question.

Some of the complaints about past countercyclical public works programs have been that spending occurs long after the recession is over. People hired often are already employed on other jobs. The work done would have been accomplished anyway by local government. The projects are of marginal value, the jobs are leafraking, the jobs ignore women and minorities.

I think the first one I mentioned is the one I hear most, that is that spending is out of pace with the recession, it comes so late that we are out of the recession and into inflation.

Would either of you have a comment on that?

Mayor WHITMIRE. Let me just say that I would agree that the first criticism is the one we need to do careful attention to now, because now is the time that both the jobs and the infrastructure are needed, and, of course, we understand the constraints that you face in moving this kind of a program to a conclusion so we might see the actual projects started, but I think that is one of the reasons why I would urge an approach be developed whereby funding can be in the form of block grants through private sector contractors, because I believe that is the most expedient way to proceed.

I would also want to say that I don't believe the testimony we have heard today indicates that such a program would be invested in projects of marginal value. I think that each of us in the major urban centers of this Nation can cite for you the immediate and critical need of the public works projects that we have addressed today.

Senator STAFFORD. Thank you.

Before we turn to Mayor Royer, I was going to ask you if you would describe fully what you meant by the creation of jobs in the private sector.

Mayor WHITMIRE. Well, my thought there is that the most efficient way to proceed with the public works program is through the granting of funds to the city in block grant format, to then be used to contract with the private sector.

I think most cities—I know Houston customarily undertakes its capital projects in that format, and we find that the job creation can be handled more expeditiously through the private sector than the others.

In the public sector, we have civil service when you create long-term jobs, and when you have a short-term project, it does not lend itself to municipal systems, and that is why we carry it on that way, with private contractors.

Senator STAFFORD. Thank you, very much.

Mayor Royer, do you have a comment to make?

Mayor ROYER. I can only add a couple of things here. The local public works impact program in 1976–77, a $6 million program, 90 percent of the program was disturbed by the Federal Government in 3 years. Local jurisdictions took longer to spend that money. I don't know how you can diffuse the criticism it will take local government sometime to spend these moneys.

It will not be inordinately long. Our city, like Mayor Whitmire's, does not carry a huge staff of people who do public works programs as civil servants.

We do our contracting with the private sector. We do a $200 million public works program in the form of a major bridge right now, which is $30 million under budget and on time, and was with the impact statement and involving how many Federal agencies, got underway quickly and is being completed on time.

We can do small projects which have been identified and which could stand the test of a regional agency perusal. Here are the projects we are going to do, here is our commitment to a 30- to 90-day construction period. We may need some help with certain State regulations; we may need to clean up some of our local regulations which tend to extend the bidding process.

All those things can be accomplished if there is something at the end of the rainbow for us to spend, but right now to try to clean up some of those systems, we have little, if any, insensitivity.

But as far as the involvement of minorities, most cities now, and mine included, have minorities and women on the business enterprises and requirements that a percentage of that work go to minorities and women.

Senator STAFFORD. Thank you, very much.

I think it would be appropriate at this point to note one of the ablest of our Senators, Senator Moynihan, who is no stranger to our city problems here, and then to recognize Senator Durenberger, if you have questions or some observations, Senator.

Senator DURENBERGER. Thank you, Mr. Chairman.

I will start with some observations and if we have some time, some questions. As a new member of this committee, I am pleased to see that public works are not the "turkey" issues they were characterized as in the past by some. But maybe because we have

elevated them to the status of job producing programs they now take on status necessary to get television coverage. I did not go to see President Mubarak, because I saw him in Egypt a couple of years ago. It was my first trip to the world's most ancient infrastructure system, and if there is an infrastructure problem anywhere, it has to be in Egypt. I also met Mayor Caliguiri, when I gave a speech to the municipal league in his hometown, and I talked about something very few people talked about then, called infrastructure.

Now it is a buzzword, and one of the things we are trying to do here is keep that from being a buzzword for "jobs." The testimony here, I believe, was very helpful in that regard.

I think, though, that in the context of making sure you don't have to trot around to thousands of hearings to get something done, in each of these hearings, there should be some effort to put who you are, and who we are, in some kind of perspective. My city, Minneapolis-St. Paul, my two big cities, are often thought of as being problem-free. But they have the same problems that you have. In Minneapolis, Mr. Chairman, 30 years ago the population was 500,000. Now it is 350,000, but there are 15,000 more housing units in that city today than there were 30 years ago. There are 175,000 people who come into that city each day demanding a certain degree of services. You can go on and on and on with examples; these people could give you better ones.

So with public works we are talking about an important institution in our society which does a lot more than direct monuments and try to repair decaying infrastructures. But in the process of trying to come to grips with these problems, we all have to deal with the realities of how you get it done.

When President Carter left office, he left behind a report (prepared by his Commission for a National Agenda for the 1980's), and in that he said, or suggested—and I think he presently disowns it, that we ought to be looking at the difference between needs of people and needs of places. And he said if you want a Federal responsibility, you can do well, to concentrate on the people and let the States, working with the local government, deal with the problem of places.

Now, after that, comes the problem of defining what a city is or what a Federal Government is: we have the opportunity to distinguish between the large cities and the so-called small cities, and Senator Burdick will insist there is a small cities' element to this kind of a problem.

If you believe in the work this committee does, whether it is environmental, as EPA said here is where you are, if it is a tax-exempt bond, the revenue bonds, you go back to the Finance Committee.

If it is a mass transit, you go see Jake Garn on the Banking Committee.

If it is FHA, you go to the Agriculture Committee, if you can get their attention.

If it is jobs, you have to go to Labor and Human Resources and find somebody over there.

After that, you have got to go to the Appropriations Subcommittee to undo all the work that was done. So I put that in the context

of the difficulty of our institutions coming to grips with the problems that face us.

When we addressed the gas tax in December, Drew Lewis persuaded me not to call the gas tax bill a jobs bill. He said forget about the jobs side of it, and I said, if you will forget talking about federalism, I won't talk about jobs.

All of which is to say semantics really sometimes get in the way of trying to do the job right. If I have not used up my 10 minutes I have sort of a two-part question.

No. 1, also in December, we were dealing with infrastructure jobs, and I circulated a letter from Senators Dole, Baker, and Domenici to the President saying if you want something to help cities do the kind of programs being talked about, go back and look at the general revenue sharing program. There is an authorization there to pay the quarterly sum rather than at the back end. For 10 years we have been paying at the back, but move it up for a double whammy in January.

Even though we are now at the end of January, we could endorse that kind of concept for the short term to move that payment up to the front of the quarter to get $1.5 billion to American cities very quickly.

Mayor WHITMIRE. I don't think you would hear any complaints from us regarding that.

Mayor ROYER. I think there would be unanimous support of that.

Senator DURENBERGER. The second part of my question is anticipatory, and that is the potential for blocking CDBG. From my understanding of some of the problems for the cities with regard to that notion, it is not necessarily the concept of blocking that's the worry, but the fact that—to use Mayor Royer's words—even if you leave the money there, if you dilute the mandates of CDBG that are meant to see to the needs of low-income people, they might lose out in competition with fire, police, and some of those things. I would appreciate both your reactions to that.

Mayor ROYER. I think there is a program accountability as well as people accountability. If you have this big bowl of corn meal mush, which is a number of programs all stirred together, there is little political capital in supporting it, because there is no direct connection between the money and what happens to it on the street, a little connection.

Frankly, you lose the constituency of support for the dollars that go to the 23 health clinics in my city, or go to the emergency housing programs. It all kind of gets lost.

When I go out to ask people to support me for revenue sharing, they don't know what revenue sharing is, and I have to tell them support the police and fire departments, because half our revenue sharing goes into police and half into fire. So program accountability is important, and, frankly, Senator, we have become a little suspicious, we have become a little suspicious about the block grant as a screen for reduction of program effort, production of dollars.

It is easier to cut something that big in amorphous than something small and specific, and I think we are very nervous about that, but we are put in a different political situation, in arguing, flexibility, don't load us up with strings, we are in a very difficult

political box with Congress, and I think few of us know how to deal with that.

Mayor WHITMIRE. I think that is very well put. I don't have any conceptual problem with the idea of that combination, and, yet, we all know that every city has areas that have to to be targeted for special attention, and that has been the purpose of the community development grant to target those specific areas and provide the upgrading needed there.

I would like to think that I and my colleagues on the council in Houston, as well as all our colleagues around the country, would commit to meet that responsibility without any guidance from the Federal Government.

I have to tell you, however, that I don't know for sure whether I can tell you that that will happen. I think—I would like to think usually we do that, I can look at our revenue sharing program, how we have used that money and the millions and millions of dollars we have used to retop the streets in the areas that are the same targeted areas, so I think we have a record of using those available funds in areas that do have critical needs, but at the same time, I think you are in a difficult position of having to decide whether we will continue to do that and whether each city across the country will continue to do that.

So those are the reservations we have to face at this time.

Senator STAFFORD. Thank you, very much.

Senator Burdick, do you have any questions?

Senator BURDICK. Thank you, Mr. Chairman.

What is the unemployment rate in Seattle?

Mayor ROYER. About 10 percent, Senator.

Senator BURDICK. I missed the testimony of the others, how do they compare?

Mayor ROYER. I think San Juan was among the highest over 12 percent.

Senator STAFFORD. Fourteen percent.

Mayor ROYER. In my State it is about 12½ percent, in the city about 10 percent.

I believe Pittsburgh is higher.

Mayor WHITMIRE. Ours is over 8 percent.

Senator BURDICK. I assume it has reached proportions that the cities find hard to handle adquately.

Mayor ROYER. I think, Senator, where we are hurting the most is at the State level, going into debt to make unemployment compensation payments, going into debt with the Federal Government.

Michigan is the classic example, Washington, as well. Our ability to deal with the human dislocation where, in our city, 85 percent of our budget goes to libraries, fire, police, we have little local revenue left for human services.

Senator BURDICK. When I came into the room, you were talking about the deterioration of some of the bridges and roads in your area which were repaired with moneys from a bond issue. How many more can you pass like it?

Mayor ROYER. I doubt if we could pass another housing issue, though, that was linked with jobs. We are the biggest housing developer in the State of Washington now, the city.

Senator BURDICK. Revenue sharing, while I supported it, is getting less and less support and harder to pass, and there seems to be a general consensus there has to be more than leaf-raking, so what does that leave us with? Have you given any thought to some kind of a national financing scheme for cities such as we had years ago under Reconstruction Finance. Have you given any thought to that?

Mayor WHITMIRE. One of our colleagues addressed that. I believe it was Mayor Caliguiri. And a number of us met back in November to talk about that prospect of providing financing to the cities to undertake infrastructure projects through a vehicle to allow for the Federal Government to guarantee the funds and allow us to be able to finance those projects at lower interest rates which would, of course, be very beneficial.

One of the real problems Houston has faced as a regular participant in the bond market, we go to bond market several times every year for public works projects, and we have seen in these last few years, since I have been in municipal government, interest rates climb up over 11 percent, what we have paid, where in the past we had never experienced anything above 6 or 7 percent. So the increase in dealing with our infrastructure has increased phenomenally in the last few years, just because of the interest rate, and if we could see such a mechanism created to keep those rates down, that would be a major interest.

Senator BURDICK. If you could tailor a loan to be job producing, you might get more support for it.

Mayor WHITMIRE. Yes.

Senator BURDICK. Do you have any other ideas other than what I mentioned?

Mayor ROYER. There are a couple of ideas lurking in the Congress that sound very good. Some legislation that Congressman Oberstar explained to the Conference of Mayors yesterday, which would be a long-term public works program, but with the strictest kind of deadlines, if you will, on permitting and getting a project into the ground. I don't think we have any new idea, other than getting us some cheaper money to take care of something as unsexy as potholes or a new roof for the Carnegie Library. I don't think there is any new innovation we are looking at. The most exciting thing gets put into paperback with the trust ads on the back page. It is a story about our engineering department coming up with the amazing 20th century breakthrough of alley paving so we can do 12 alleys for what it used to cost us to do 2 alley, and part of the problem was our own regulation, which we figured how to deal with, plus getting a new surface. Those are new ideas in terms of public works activities, but we do not have any ideas that go, that are magic above cheaper money that don't stretch our bond limitis past their elasticity, and that take care of some really basic needs like streets and bridges and the like.

Senator BURDICK. That is why I mentioned that.

Thank you very much.

Senator STAFFORD. Thank you very much, Senator Burdick.

Senator Moynihan?

Senator MOYNIHAN. Mr. Chairman, I would like to first excuse myself for having gone to a luncheon, but I'm happy to have this

opportunity to hear the sensitive remarks that you have said. I would like to bring you back to what was once the most glamorous urban public work of all, and has become in our time the least, and that is water supply. If you think through the history of urban civilizations, the ancient world in particular was built around waterways.

This committee is responsible for the water programs of the Federal Government, and these have traditionally been confined to agriculture or flood control purposes. They have been confined to Western States, the great American desert, to tell you the truth, or the navigational work on the Mississippi, Ohio and Missouri systems and that kind. The most conspicuous anomoly, at least some of us think, is that the Federal Government will provide funds to water cattle, and to wash coal, and to irrigate cotton, but not for anybody to drink. You can't wash babies, you can't shower. Urban water supply systems are the only systems which we don't support. In both older and growing cities, it has to be a major expense. This is underground, and when it goes bad, nobody knows it, because you cannot see the leaking down there. We have been thinking of sort of a major fundamental change in Federal policy, trying to enact a statute that would provide water supply money, a formula of half population, half size of State. We would then give the funds to the States for the agreed-upon purposes and allow the States to make their own judgments, allow them to save up if they want to do something special or allow them to use it for urban water supply, which involves larger areas than the city itself. The Governors have begun to get interested, partly because the old water programs, the big dams and things like that have ceased, since the bill passed in 1970. We have not heard from the mayors, that this would be an important thing to you. I guess I would like to ask, is this on your list of concerns? If we were to enact legislation, would it be your respective views about your cities, that programs could be put in place, particularly rehabilitation, the classic leaky water system, that this is something that needs to be done, that you could do fairly quickly and you could find them labor intensive.

What are your views on that? We have not heard from you on that. Perhaps we have not asked.

Mayor WHITMIRE. I am glad you raised that issue. In my preliminary remarks, I mentioned waterworks as one of the types of projects we would like to see this committee focus in its development of legislation.

Two weeks ago my city council had the duty of raising the water rate by 30 percent, and the reason we had to ask the city council to do that was so we could be able to produce enough revenue to support a new bond issue of $105 million to be used to build a new water treatment plant.

Water is a very critical issue in Houston and across the State of Texas. Traditionally we obtained water supplies by drilling wells and getting water out of the ground.

Senator MOYNIHAN. You noticed parts of Houston were disappearing?

Mayor WHITMIRE. That is right, and so we created a district to make sure not too many more wells would be drilled in those areas.

At that point we began to realize we would have to convert almost entirely to a surface water system and we are working diligently to do that through the efforts to develop channels, bring in water and provide for the very expensive treatment plants necessary to treat that water after we bring it in, so you will find that not only in Houston, but throughout the State of Texas as well, water is a very critical issue and is one of the major public works types programs that we believe could be reasonably addressed by the Federal Government and would also provide the same kind of job creation benefits that we have discussed earlier, because we have that water treatment plants designed and ready to go out for bid and when it does, construction workers are going to be put to work on that project.

Mayor ROYER. I think you would find, Senator, some difference of needs around the country on that. We have always—well, I am the worst person to talk about water, because water is to Washington what oil is to Texas.

We have an overabundance of water; it falls on us night and day and we have big mountains and snow, we are the OPEC of water.

We financed a first-rate water system out of the rate base, and see no problems out into the 21st century.

However, the mayor of Mill Valley, Calif., where new development is constrained by the availability of water, the Sun Belt States, colleagues of mine from those States, cities and those States, talk about water as I talk about public infrastructure. Other public infrastructure requirements. So I think there is a definite need there, and you will hear the chorus of appeals as the rates begin to pinch as they have begun to pinch electricity and then you will hear people ask for that.

Senator MOYNIHAN. I have observed you can live without oil and even live without love, but you cannot live without water. I guess I am trying to press to see if you do not think it an anomaly that Federal water programs exclude cities from their purview; cities and people who live in them don't benefit from these programs.

We can move together, but we can share. I just leave the thought that we should hear more from the mayors. Obviously, hear those who have the most pressing problems; the older cities where you have 100-year old mains and 200-year old mains. Would you agree the Federal water programs ought to be available for municipal water supplies?

Mayor ROYER. I would agree, Senator, where those systems are delayed and the city simply cannot on its own deal with them. I feel it is my responsibility as a citizen of the country to worry about 30 percent of the water going into New York leaking out of the ground before it gets there. I think there is probably not that much water on the planet, and it is a terrible waste and a terrible shame that that kind of system exists.

Senator MOYNIHAN. It is not seen as a waste, and it surely is.

Mr. Chairman, I want to bring up this point, this is a structural change. If we can reach an agreement on that, our thought is making the money available at the State level to let the State build what they believe to be most important.

We have had about three or four such changes in our history—since we began this process in the early 1830's.

Mayor ROYER. I think flexibility for those local needs is the key to whatever is done.

Senator MOYNIHAN. Thank you, Mr. Chairman.

Senator STAFFORD. Thank you, Senator Moynihan.

Let me again inquire, because we realize we are imposing upon your time; there are a few more questions the Chair had in mind, they can be sent to you in writing if you need to get on to your next commitment.

Mayor WHITMIRE. I think we have a little more time.

Senator STAFFORD. The Chair would ask for your comments on these questions then.

Are there ways the overall Federal program, that is dams, highways, sewage treatments, public buildings, could be reshaped at the same spending level to achieve more for your needs—and if I ask a question you prefer to answer in writing, you may do that.

Mayor WHITMIRE. I think we might be in a better position to respond to that after a better study.

Mayor ROYER. No, I would think that that would be part of our task force on infrastructure, which is what would be the level of increase.

Senator MOYNIHAN. May I interrupt? When do you expect to have that report?

Mayor ROYER. I believe the report will be completed in late February.

Senator MOYNIHAN. Thank you.

Senator STAFFORD. I am sure you will see we have a copy of it.

Mayor ROYER. Yes, sir.

Senator STAFFORD. How can the Federal Government establish priorities in public works spending?

Again, if you would prefer to reply an answer in writing or do it in the report of League of Cities, that is agreeable to us.

Mayor WHITMIRE. I think in deference to our colleagues, it might be best we provide some answer from the respective organizations in writing rather than to give our biases.

If none of our colleagues are here, we could establish some priorities right here.

Senator STAFFORD. I have a few more questions, but I think in deference to all of you who were willing to come here this afternoon, if you are agreeable, we will send questions to each of you and because time is of the essence for you and for us, we would appreciate your earliest possible response.

We are going to ask the staff to put together some working paper that could become the genesis for legislation and by sending a copy of it for your comments, we may have the benefit of your expertise.

Mayor ROYER. We would appreciate that.

Mayor WHITMIRE. Thank you.

Senator STAFFORD. Again, we want to express our appreciation to all of you here, and to those who came and had to leave.

The committee will meet next Wednesday and Thursday to pursue this same matter. We will have some Governors here.

I have a statement from Senator Randolph, the long time distinguished chairman of this committee and ranking minority member, which I will make a part of this hearing record.

[The statement referred to follows:]

OPENING STATEMENT
SENATOR JENNINGS RANDOLPH
PUBLIC WORKS HEARING
JANUARY 28, 1983

MR. CHAIRMAN, I COMMEND YOU FOR INITIATING THIS SERIES OF HEARINGS ON THE PROBLEMS OF UNEMPLOYMENT AND THE DECLINE IN THE QUALITY OF OUR NATION'S PUBLIC WORKS. I CAN THINK OF NO MORE SERIOUS PROBLEMS FACING THIS COUNTRY.

WITHOUT THE APPROPRIATE PUBLIC WORKS FACILITIES, BE IT SEWERS, ROADS OR WATER SYSTEMS, ECONOMIC GROWTH IS NOT POSSIBLE. BASIC SERVICES ARE IMPORTANT TO THE HEALTH, SAFETY AND FINANCIAL WELLBEING OF ALL OF OUR CITIZENS.

WHILE A GREAT DEAL OF OUR UNEMPLOYMENT IS STRUCTURAL OR RELATED TO CHANGES IN INDUSTRY IN THIS COUNTRY, SOME UNEMPLOYMENT IS DUE TO OUR CITIES' INABILITY TO ATTRACT THE RIGHT TYPES OF INDUSTRY. THESE HEARINGS, WHICH ARE TO CONTINUE NEXT WEEK, MAY PROVE USEFUL IN DEFINING THE SCOPE OF OUR INFRASTRUCTURE PROBLEM AND INDICATING WHAT JOBS MIGHT BECOME AVAILABLE IF A LOCALITY WERE ABLE TO PROVIDE IMPROVED PUBLIC WORKS FACILITIES AS A BASIS FOR INDUSTRIAL AS WELL AS URBAN DEVELOPMENT.

MR. CHAIRMAN, THE DETERIORATION OF OUR NATION'S INFRASTRUCTURE IS SO PERVASIVE THAT ONE PUBLICATION REFERRED TO THIS PHENOMENON AS THE "DECAYING OF AMERICA." MUCH MEDIA ATTENTION HAS BEEN GIVEN THIS CRISIS IN THE LAST SEVERAL MONTHS, INCLUDING A BOOK DEVOTED ENTIRELY TO THE SUBJECT. LET ME DESCRIBE JUST A FEW OF THESE PROBLEMS.

MAINTENANCE OF PUBLIC WORKS IS THE RESPONSIBILITY OF MANY DIFFERENT LEVELS OF GOVERNMENT. PUBLIC FACILITIES ARE MAINTAINED BY OVER 100 FEDERAL AGENCIES AS WELL AS THE FIFTY STATES. MORE THAN 3,000 COUNTIES AND SEVERAL THOUSAND LOCAL AGENCIES ALSO SHARE THIS BURDEN. REPAIR COSTS HAVE RISEN WHILE BUDGETS HAVE GROWN TIGHTER, AND IT HAS BECOME INCREASINGLY DIFFICULT FOR GOVERNMENT TO MAINTAIN PROPERLY ITS STOCK OF PUBLIC WORKS. MAINTENANCE HAS BEEN POSTPONED. THE BRIDGES OF THIS NATION ARE A GOOD EXAMPLE OF OUR PROBLEM. 248,500 BRIDGES, 45 PERCENT OF THE TOTAL, ARE EITHER STRUCTURALLY DEFICIENT OR FUNCTIONALLY OBSOLETE. REPAIR OR REPLACEMENT OF THESE FACILITIES COULD COST AS MUCH AS $45 AND ONE-HALF BILLION.

ROADS ARE NO LESS A PROBLEM. THE INTERSTATE SYSTEM, WHICH IS BARELY 25 YEARS OLD—AND SOME SEGMENTS ARE EVEN NEWER—WILL REQUIRE $33 BILLION WORTH OF REPAIRS IN THE NEXT DECADE.

WHILE SOME OF OUR MAJOR URBAN AREAS HAVE BEGUN TO UNDERTAKE EXTENSIVE CAPITAL REHABILITATION PROJECTS, FOR OTHERS THE BUDGET SIMPLY WILL NOT ALLOW IT. MAYOR CALIGIUIRI OF PITTSBURGH CAN TELL US ABOUT THE $60 MILLION MAINTENANCE PROGRAM WHICH HIS CITY IS CURRENTLY UNDERTAKING.

WATER AND SEWER SYSTEMS ARE AN EXTENSIVE PROBLEM IN THE NORTHEAST AND MIDWEST. OFTEN OVER 100 YEARS OLD, MAJOR DISRUPTIONS CAN OCCUR BECAUSE OF BREAKAGE AT ANY TIME. PAT CHOATE IN HIS BOOK, AMERICA IN RUINS, ESTIMATES THAT 756 MAJOR URBAN AREAS WILL NEED TO SPEND $75 TO $110 BILLION TO MAINTAIN THEIR WATER SYSTEMS OVER THE NEXT TWENTY YEARS. THE AMOUNT OF PRECIOUS WATER WHICH IS LOST THROUGH LEAKS IN OUR SYSTEMS IS ALARMING,

AND THE SPENDING OF THIS MONEY WOULD NOT BE A WASTE OF TAXPAYERS' DOLLARS AT ANY LEVEL OF GOVERNMENT.

WHILE THIS IS A SERIOUS PROBLEM, THE CURRENT RATE OF UNEMPLOYMENT IS EQUALLY DANGEROUS TO THE FUTURE OF THIS NATION. NATIONAL UNEMPLOYMENT IS OVER 10.8 PERCENT, AND RECENT TESTIMONY BY TREASURY SECRETARY REGAN INDICATES THAT IT MAY GO OVER 11 PERCENT AND CERTAINLY WILL BE HIGHER THAN 10 PERCENT FOR THE YEAR. IN MY STATE 16.2 PERCENT OF THE WORKING POPULATION IS UNEMPLOYED. THIS UNEMPLOYMENT IS IN ALL PHASES OF OUR ECONOMY: MANUFACTURING, CONSTRUCTION, AND ESPECIALLY IN THE DEPRESSED COAL INDUSTRY. COAL SHIPMENTS ARE AT ALMOST RECORD LOWS.

MR. CHAIRMAN, WHILE WE NEED TO GET AMERICANS BACK TO WORK AS QUICKLY AS POSSIBLE, WE MUST ALSO LOOK AT NEW WAYS OF FACILITATING THE RETRAINING OF OUR LABOR FORCE — SHIFTING WORKERS FROM OCCUPATIONS IN WHICH EMPLOYMENT IS DECLINING AND PROVIDING THEM THE SKILLS NEEDED FOR OPPORTUNITIES IN OTHER AREAS.

IT IS MY HOPE THAT THESE HEARINGS WILL PROVIDE THE COMMITTEE WITH SUFFICIENT INFORMATION TO DRAFT LEGISLATION TO ADDRESS BOTH OF THESE PROBLEMS. I LOOK FORWARD TO PARTICIPATING WITH YOU AND OTHER MEMBERS OF THE COMMITTEE IN THESE HEARINGS.

Senator STAFFORD. Before we close, do any of the other members have any other further questions?

In that event, again, with thanks to you both, the Chair will adjourn the meeting until next Wednesday at 10 o'clock

[Whereupon, at 12:40 p.m., the committee recessed, to reconvene at 10 a.m., Wednesday, February 2, 1983.]

[Statements submitted for the record follow:]

1932-1982

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Mayor of Fresno
PETE WILSON
Mayor of San Diego
Executive Director:
JOHN J. GUNTHER

STATEMENT OF

THE HONORABLE COLEMAN YOUNG
MAYOR OF DETROIT
and
PRESIDENT
UNITED STATES CONFERENCE OF MAYORS

on

INFRASTRUCTURE, JOBS, AND THE NATION'S CITIES

before the

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE

January 28, 1983

UNITED STATES CONFERENCE OF MAYORS
1620 EYE STREET, NORTHWEST • WASHINGTON, D.C. 20006 • (202) 293-7330

Mr. Chairman and members of the Committee, my name is Coleman A. Young, Mayor of Detroit and President of the United States Conference of Mayors.

On behalf of all the nation's Mayors, I wish to express appreciation to the Committee for convening this important hearing so early in the 98th Congress. The employment and infrastructure problems which afflict our cities are severe and not a moment should be wasted in beginning to address them.

Mr. Chairman, the nation's Mayors met here in Washington this week for three days to review the state of the cities, and to map our plans for action for the next several months. Among all of the Mayors, no problem was considered more severe than that of unemployment and infrastructure.

Mr. Chairman, the Conference of Mayors has many ideas and suggestions for the directions in which infrastructure programs should go. Most of these can be found in the policy positions we adopted in June, when I assumed the Presidency of the Conference. In addition, I recently called a meeting of city, business, labor, and civic leaders in New York, with the assistance of Felix Rohatyn, in which we agreed on general directions in these areas. These are attached for your review.

In the next several minutes, I would wish to discuss with you the principles which any infrastructure/jobs program should embody, and then point out to you what now confronts us in Detroit and in the state of Michigan.

Infrastructure/Jobs Principles

The nation's Mayors firmly believe that any program developed by this Committee to attack the issue of infrastructure and unemployment should contain the following principals:

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• It should encompass both infrastructure and jobs goals -- creating short and long term employment opportunities, while meeting the real backlog of transportation, water, and public facilities projects. These will create jobs, and also create the ability of cities to attract permanent private sector jobs by ensuring the ability to move goods and provide services expeditiously.

• The program should go directly to cities. Our experience shows that attacking the problem at its source is the most practical and efficient method of ensuring quick progress.

• The program should start quickly. Unemployment has been permitted to reach dangerously high levels. The human and social costs to cities is unbearable. The improvements to our physical structures have also deteriorated far beyond acceptable levels. Cities are ready to go forward now.

• The program should be essentially for rehabilitation with some new projects where appropriate.

• The program should be flexible in approach. Funds for city needs should be made available to respond to special city concerns and projects. Cities should have the ability to adapt local programs to bring about maximum results.

• It should be targeted to distress, both physical and economic. Federal dollars for these kinds of efforts are scarce -- a pinpointed, rather than scattershot approach is required.

• The program should encourage long-term jobs in the private sector. That is an ultimate goal which we can all share. Rehabilitation of the economy will ultimately bring about considerable urban relief. But we must move forward now to ensure that urban decay and unemployment is reversed so that we will be in a position to share an ultimate recovery.

Mr. Chairman, this gives the Committee a general idea as to how such a program should be structured. As to how it could be used in a real life situation, I would like to point out to the Committee what we face today

in Detroit.

The Detroit Experience

* * *

EMERGENCY URBAN RECOVERY PROGRAM

Reauthorization of Existing Programs

• Community Development Block Grant (increased for inflation)	$5 billion
• General Revenue Sharing (increased for inflation and restoration of state share)	$7.5 billion
• Countercyclical Fiscal Assistance (restoration)	$2 billion
subtotal	$14.5 billion

New Programs

• Urban Infrastructure/Jobs Program	$10 billion
• Reconstruction Finance Corporation (capitalization of Corporation; spent out on multi-year basis; loans and interest subsidies)	$5 billion
• Emergency Assistance for Food and Shelter	$2 billion
subtotal	$17 billion
GRAND TOTAL	$31.5 billion

STATEMENT OF MAYOR RICHARD S. CALIGUIRI

BEFORE THE STATE ENVIRONMENT AND PUBLIC WORKS COMMITTEE

JANUARY 28, 1983

Thank you Mr. Chairman and other members of the Committee for the opportunity to appear before you today.

I would also like to thank you and the other members of the Senate for your tremendous efforts on behalf of the Surface Transportation Assistance Act of 1982. This legislation is solid evidence of a new, bipartisan national commitment to address the severe infrastructure problem our country faces. It is a bold beginning and I welcome the opportunity to explore where we go from here.

As the Chairman of the United States Conference of Mayors Transportation Policy Committee and the Mayor of a city that owns 129 bridges, 857 miles of roads and 2,300 miles of water and sewer pipes, I could not be more familiar with the problems and the needs we face.

I hope to summarize the needs of Pittsburgh for the record. In addition, I would also like to spend some time this afternoon discussing the underlying reasons why cities across the nation find themselves in this fix. It is my hope that a better understanding of the causes for the decay of our great public works will lead to legislation and programming that is not just a quick-fix appropriation, but a long range effort to place capital investment in public facilities on a firm financial basis.

None of our interests will be served if we merely manage to squeeze an extra few billion dollars out of the treasury for a one shot program to cure the most obvious symptoms of this fiscal disease. Without adequate resources over the long term we will find ourselves back here five or 10 years from now with still more horror stories to tell about falling bridges and broken down sewers.

Public works are long range investments and the programs which support them must have similarly long range objectives. While there is no question we have to move quickly and get building before a disaster occurs, the mechanisms to

accomplish these aims need not be complex. The job creating effects of public works can be very significant in the long term. To really accomplish this objective we must provide the financial foundation for a stable, predictable market for public works projects in the United States.

Only the existence of a stable public works market will encourage our basic industries to invest in new equipment and technology. These investments will yield jobs, lower prices for roads, bridges and pipes, and reduce the potential inflation impact of these expenditures. A one shot program is unlikely to yield this much needed private investment.

1. How did we get where we are?

In 1950 Pittsburgh had over 600,000 residents. For the previous 50 years bridges were erected across our rivers and valleys at modest cost to link growing communities and industries. Today our population is down by almost 200,000 and the city has emerged as the service, cultural and economic core of a region of over 2.4 million people.

We are providing essential services to more people than ever before while our tax base remains static. Pittsburgh is undergoing a tremendous renaissance of commercial and residential redevelopment. Millions of square feet of office and retail space are under construction in our downtown, creating and preserving thousands of new jobs.

At the same time industrial facilities are closing their doors at a frightening pace and every week hundreds of more workers are exhausting their unemployment benefits.

We are fortunate Pittsburgh leadership embarked on a program to diversify our economy more than 30 years ago and we have growth to offset some of our losses. no one however contemplated such a rapid and massive decline in basic industry.

Property tax is our primary source of revenue and yet over one-third of the property in Pittsburgh is tax exempt. Overall assessments have remained

flat while taxes have grown significantly. In 1982 I was forced to raise taxes by over 30 million dollars, as the city budget grew from 170 million dollars to almost 230 million dollars. This increase probably wiped out a substantial part of the impact of the 10% federal income tax cut in Pittsburgh. For 1983 we will hold the line on taxes.

But this is only part of the story. Every resident of Pittsburgh is also taxed by the Pittsburgh School Board and Allegheny County. Three seperate taxing bodies as well as the State of Pennsylvania are taxing the same base.

One of the major reasons for our rising operating costs and our inability to float enough long term debt to maintain the infrastructure as well as we would like, is interest rates. Although they have recently come down a bit, municipal bond rates have lost a major part of their spread in yield from taxable issues and remain at historically high levels despite the depressed economy.

We are therefore caught in the grip of a cycle. Inflation drives our costs up while our tax base is static. Our growth merely offsets our losses. A legacy of infrastructure becomes too expensive to maintain and replace at current interest rates. Demands for services escalate and force a trade-off between capital and operating expenses for a city with a shrinking population but ever increasing regional responsibility. Pressures on bond ratings mount forcing higher interest rates and harsher cuts in services and capital expenditures.

The City of Pittsburgh's fiscal house is in order and we face no immediate crisis. What I have described is merely the economic and social environment in which the city must function today. We have instituted a wide array of fiscal management controls, operating improvements and productivity enhancing measures that have saved taxpayers tens of millions of dollars. We have done everything from reducing the city's work force from over 7,000 to 5,300 during the past decade to managing our cash balances more tightly. Yet these savings are simply overwhelmed by the march of interest costs, health insurance premiums, wage increases and inflation.

2. How significant is our need?

Over the past five years we have inspected almost every one of our bridges, replaced nine structures completely, rehabilitated eight others and have eight more now under construction. Nine bridges are slated to begin construction this year. For the next six years another 59 million dollars in bridge inspection and repairs is programmed. Roughly 19 million dollars of this amount is anticipated from the recently reauthorized Federal Aid Urban System Program (FAUS). A special 24 million dollar project to replace just one bridge is also under construction with 20 million dollars of federal Discretionary Bridge Replacement Funds.

Another 70 million dollars in street resurfacing and reconstruction projects have been identified, of which 25 million dollars is anticipated from federal sources. The story is much the same in our water and sewer systems. We are facing an immediate 20 million dollar shortfall in repairs we will be able to make in our water system. Out of the 33.2 million dollars in improvements we are undertaking, only 1.2 million represents federal funds.

The city has a combined storm and sanitary sewer system that averages 60 years of age. The cost of building seperate systems is estimated at one billion dollars. We plan to spend 4.8 million dollars of city funds for sewer rehabilitation projects out of a need for almost 7 million dollars in repairs. No federal funds are available.

Another enormous infrastructure need in Western Pennsylvania is the deteriorated condition of our locks and dams. More tonnage passes on the rivers along Point Park each year than travels through the Panama Canal, and yet most of our water navigation system is in a state of disrepair with no relief in sight. I can hardly urge steel manufacturers to invest in Pittsburgh mills when they are uncertain about their ability to move raw materials on barges and finished products across our bridges.

On the positive side we have seen a remarkable turnaround in Conrail and hope that these improvements will continue through a sale of the railroad as a

single system.

3. How do we address these needs on a long range basis?

FIRST we mayors plan to do our part by lobbying to assure that the promise of the Surface Transportation Act of 1982 is fulfilled through appropriations at the authorized level.

SECOND we must recognize that even at current tax exempt interest rate levels we cannot support an adequate amount of infrastructure investments and that long term, low interest bond financing must be made available for state and local governments.

THIRD we must recognize that there is a pressing backlog of public works projects that federal, state, county and local governments are ready and able to address if the dollars are available. Reducing this backlog quickly is essential if we are to avoid crisis and facilitate an economic recovery which includes basic industry. The fastest way to do this is through a temporary grant program.

FOURTH we must find a simple allocation mechanism which enables each region to define its own priorities. Bridges are important in Pittsburgh, subways in New York, waterlines in Tucson, etcetera. Geography, climate, economics and politics make our national development priorities different and this diversity should be recognized.

FIFTH we must develop allocation mechanisms which can cut across intergovernmental and jurisdictional boundaries when necessary to assure that big-ticket items such as locks and dams, water treatment facilities, etcetera, can be constructed or rebuilt. As recognized by the recently renewed Interstate Transfer Prorgram, trade-offs will have to be made in order to accomplish our transportation and economic development objectives on the most cost effective basis. Programmatic barriers between different federal and state programs may have to be broken down further.

I am not here to ask for any kind of fiscal bailout. Pittsburgh is doing its share and will do more if needed. We will work with Allegheny County and the State of Pennsylvania to make the tough choices we face.

I am here to say that the highways, waterways, subways, bridges and waterlines of this nation are linked together as a national system. When one part fails the entire system is threatened.

The recognition that we are linked together physically and spiritually is what makes us a nation. All levels of government are coming to grips with the need to cooperate in repairing our infrastructure. The need for federal leadership has never been greater.

Thank you very much.

TESTIMONY OF

MAYOR CHARLES ROYER

ON

INFRASTRUCTURE

before the

Environment and Public Works Committee

United States Senate

January 28, 1983

I am Charles Royer, Mayor of Seattle and President of the National League of Cities. Thank you for this opportunity to discuss the problems of our City's public infrastructure and how I believe the federal government can play a key role in assisting our effort.

Mr. Chairman and Members of the Committee, I must first commend you for your efforts last session the new Federal Highway and Public Transportation legislation. The single most important catalyst for this major initiative was your recognition of the problems now before all of us as we work to improve and expand the nation's public infrastructure. In this case, your interest and concern about the deterioration of the Interstate System, and the overall surface transportation system, prompted a dramatic response. This hearing today is a continuation of this effort; much work lies before us as you have already heard from Mayors and Governors throughout the country.

Seattle, as you know, is a relatively new city, compared to New York, Boston, and other older cities in the east coast and midwest. Even so, our infrastructure problems are severe. Over the last two years we have documented over $200 million dollars in existing deficiencies in our roads, bridges, traffic signals, fire stations, office buildings, parks and libraries. These are problems that should have been corrected yesterday, despite our own best local efforts to address these immediate needs.

And, we confront an additional backlog of two hundred to three hundred million dollars to make improvements to our existing systems and to provide new service for our changing economic base. In our utilities - water, sewer, light, and solid waste - our needs are even greater. Fortunately, we are able to issue revenue bonds backed by rates to at least keep our utility systems in reasonable condition.

We view our infrastructure problem as consisting of three parts:

1. A severe backlog of repair and replacement needs which should be corrected immediately;
2. A host of improvements to our existing systems in order to increase efficiency and meet new service demands; and
3. A program to keep our plant in good working order on an annual basis as a means of preventing a backlog of deficiencies from occurring - a common practice in the private sector and in many utilities.

The first and second areas require a large infusion of capital now and in the future. The third problem requires a commitment by elected officials of the federal, state and local levels to dedicate funds to capital maintenance, repair and replacement on an ongoing basis.

In summary, our existing inventory of needs far outpaces our available revenues. The debate about the role of the federal government in assisting our efforts is not an abstract discussion about federalism, it is one of necessity.

In Seattle, like every other city, we are the guardians of a massive investment of public capital. It is a responsibility that transcends the immediate needs of our regions. The nation's economy, particularly its recovery, is contingent upon how we manage these assets. Such a task requires the direct involvement and assistance of our states and the federal government.

Consider how the responsibility for the necessary maintenance and expansion of this public infrastructure is allocated.

In 1970, 75% of the City of Seattle's capital improvement program was financed with local revenue. In 1983, 71% of our CIP was financed with local revenue. Over this same period, state revenue supporting our CIP has dropped from 19% to 6%. Support from the federal government has increased and then decreased from 2.9% for 1970, to 31% in 1981 and back down to 23% in 1983. As you can see in Seattle, both in the past and today, we continue to support directly a substantial share of our capital renovation and capital improvement needs. And, in fact, a

significant percentage of state revenue to the City comes from taxes collected in the City and returned to us either via formula or grant allocation. Also, while over 70% of our CIP is supported by locally-generated revenue, the City collects only ten cents of every dollar of taxes levied by all levels of government with the City. The federal government receives approximately 60 cents, the state 30 cents.

Our state government's share, as I pointed out, has been declining. Yet national policy has raised expectatations of an increased state role at a time when our state is facing its worst financial crisis in recent memory. Our state's bond rating has slipped a few notches in the last 18 months. You know how important bond financing is to maintaining and improving our capital plant.

In Seattle, we are approaching our infrastructure problems in the following ranked way. First, we have identified all of our renovation needs and we have ranked them with the assistance of a blue ribbon citizen's committee. This fall we will bring before the voters a bond issue of approximately $90 million to address the highest priority (over $210 million) renovation needs. We anticipate federal and state assistance to fund the remaining $120 million. However, existing funding programs are not sufficient to meet these needs.

In addition to our bond issue proposal, we are also increasing expenditures for maintenance and repair on an ongoing basis, even at a time of reduced revenues for local government. Our support for ongoing investments will be aided by updated maintenance plans for our buildings and transportation systems. Within the next few years, we hope to plan exactly what level of funding if required to keep every aspect of our capital plant in good shape in the future.

As I have noted, we are aggressively implementing a strategy to correct our large backlogs of renovation needs and beginning to fund at a higher level our maintenance activities. As a consequence, other needs are not being adequately addressed. We have virtually stopped funding new improvements, except in areas of electrical generation and water quality. In fact, excluding City Light, 85% of our capital budget goes for rehabilitation of existing facilities. While Seattle is a built up City, our economic base and our population characteristics are changing significantly. These shifts increase demands for new, expanded or changing public facilities. Likewise, as traffic increases through the Port of Seattle to Pacific Rim countries, and vice versa, our transportation system needs upgrading.

At the same time, we are also examining new and cost effective ways of maintaining, renovating and improving the capital plant. However, given our own budget cutbacks, we are unable to spend sufficient resources in research and development to take advantage of innovations and new approaches to solving old problems.

The key question before this Committee is how can the federal government assist cities in addressing the problems of infrastructure deterioration.

A federal public works bill, which utilizes, where possible, existing local and state governmental systems, is one action the federal government can take to assist cities. Such a program should be sensitive to local constraints, such as bid limits, and local wage rates. Local governments should be allowed the flexibility to spend public works funds on their highest priority needs. Such a federal initiative would have a direct effect on the construction industry and on the cyclicly unemployed, many of whom are skilled laborers. The $6 billion Local Public Works Impact Program in 1976-1977 is a good example of the type of public works program needed today. Disbursement of LPW funds from the federal government to local jurisdictions was comparatively quick. Within three years, 90% of the funds for this two year program had been disbursed. The funds were not spent by local jurisdictions as quickly as some critics would have liked. Today, I know Seattle

is prepared to spend the funds almost immediately, especially given the fact that most projects are renovations or improvements to existing faciliteis, thus, the sometimes protacted acquisition and EIS processes will not be necessary.

A second legislative initiative which would assist the cities in dealing with their infrastructure problems is to provide the cities with additional manpower to perform routine preventive maintenance and minor repairs. Many of these maintenance and repair tasks can be performed by lower skilled and lower salaried workers, similar to jobs that would be created by various jobs bills proposed in Congress last year. If we can utilize our existing job classifications and if the federal legislation can be sensitive to local wage scales, then such a program can be implemented quickly and effectively. A federal program which includes a reasonable wage ceiling of $13,500, plus local supplementation, coupled with a 20-25% allocation for supervision and materials could be implemented immediately. The long-term unemployed could be put to work in important and meaningful jobs which benefit the rest of society. Potholes in roads could be filled, buildings could be painted and weatherized, roofs could be patched, irrigation systems could be repaired, saving cities millions of dollars in energy and other operating costs and preventing more costly repairs to our basic structures in the future. Preferably, funds for both the public works and the public employment programs could be funneled directly to the

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cities. As you know, we have had extensive experience in the past with this type of program and we are already prepared to move forward with needed projects.

Another element of the federal program could be a reconstituted "701" planning program for local capital budgeting. This would ensure more effective and efficient use of federal capital dollars, either Public Works or gas tax. The federal government could then require each recipient of funds to have a capital budgeting program that meets the individual jurisdictions needs. Such a plan would provide you the oversight and involvement necessary to guarantee that these funds are spent wisely and ensure that basic national objectives are considered. In Seattle, we could probably beef up our capital and maintenance planning systems, and conduct some specific research and development projects aimed at identifying low cost solutions to traditionally expensive problems. For example, we recently paved a dozen alleys in a low-moderate income neighborhood (Georgetown) located in the middle of an industrial area for the cost of what our engineers originally thought it would cost to pave just two alleys.

As the Committee begins to draft its legislation, there will be detailed recommendations we can offer for your consideration. I would like to underscore a couple of key concerns. First, the infrastructure problems we now confront are long-term in nature. I would urge the Congress to view your efforts this year as a first step in a continuing process.

While I agree with the dual objectives of improving our nation's infrastructure and providing employment opportunities we should not lose sight of the fact that our discussion today is necessary regardless of the unemployment situation. Additionally, an initiative at this time is particularly appropriate because it will provide jobs now, both for skilled and unskilled workers.

Finally, I would urge that requirements of a national infrastructure initiative be dealt with first, and then where possible factor in employment considerations. We cannot afford to have this necessary expenditure of federal funds, particularly at this time, caught up in false charges of makework and boondoggle.

Thank you for this opportunity to present my views.

Your City, Seattle

Office of the Mayor
Charles Royer, Mayor

December 10, 1982

The Honorable Rod Chandler
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Chandler:

I am writing in support of recent efforts in Congress aimed at putting Americans back to work repairing and improving the nation's public capital plant. I believe a federal program, used in conjunction with State and local efforts, would be extremely timely in providing the maintenance and rehabilitation of our network of public roads, bridges, water and sewer systems, buildings and other public facilities. As you know, such an initiative would also help revitalize the nation's stagnant economy and provide much needed jobs for our unemployed citizens.

While a clear consensus over the type of program - jobs, infrastructure, or economic stimulas - has not yet developed, I am writing to share with you my perspective as Mayor concerning some of the issues I hope this debate will address. I know you are familiar with many of these concerns.

The effects of the recession and the related unemployment problems in our region have been well documented and debated. The House Banking Committee held a field hearing in Seattle last year and several members received first-hand accounts of the effects of unemployment on this region. This summer, the Joint Economic Committee held another series of hearings regarding unemployment and its effects on communities, particularly central cities, and their citizens. However, unemployment problems persist. Now that the public infrastructure problems of the nation have received renewed attention, we have an opportunity to tackle these important needs and stimulate employment opportunities —both are long overdue. I am writing to provide you with some information and examples of the types of needs evident in Seattle and to make some suggestions about how Congress might address these concerns.

Over the last two years, we have documented our capital renovation needs. We identified more than $200 million in existing deficiencies in our roads, bridges, traffic signals, fire stations, libraries, office buildings and parks. These are problems we should have corrected yesterday. They are not future, ongoing liabilities which will demand additional resources on an annual basis. Of this $200 million backlog in renovation and repair needs, approximately $80 million is for seriously deteriorated bridges, seawalls and other roadway structures. In addition, $17 million is for resurfacing deteriorated streets, $14 million for replacing archaic traffic signals, and $7 million for renovating the 20-year-old Monorail. These needs are generally transportation-related; recent efforts to increase federal excise taxes to finance an expanded federal highway/transit program is a solid first step. Funds will be used to complete our interstate system and to expand existing programs aimed at rehabilitating our transportation system. I suggest, however, that a highway/transit program expanded beyond the five cent gas tax increase is necessary if we are to fully fund programs to meet our transportation needs. For example, a $200-400 million increase in FAUS nationwide will not generate sufficient funds for Seattle to meet our existing backlog of projects. The problems will continue to overwhelm our best efforts.

An expanded federal transportation program, along the lines of the current proposals, does have some shortcomings in areas other than funding. First, transportation needs are generally site specific; consequently highway projects do not always track well with where the unemployment needs are greatest. In addition, several proposals continue to overemphasize new construction where the employment benefits are lowest. In the short term, I believe a substantial share of these new expenditures should be earmarked for rehabilitation and replacement projects. In this way, increased employment opportunities and public safety concerns as well would be given higher priority.

Finally, the pattern of sub-state allocations should be reviewed carefully to ensure that where possible funds are moved into the more populated urban areas. For example, under the federal Primary program, road mileage is one factor used to allocate funds; urban areas generally have not fared well in the distribution of these funds.

While the transportation area represents the largest single category of need, there are several other areas which will require substantial new outlays.

Our buildings and other public facilities are also in serious need of repair. Many of our fire stations are more than fifty years old. Much of our park system was constructed during the WPA era and is in need of rehabilitation. Several of our libraries were constructed with assistance from the Carnegie Foundation in the early 1900's. In conjunction with outside consultants, we have identified approximately $63 million in building and parks renovation needs. These needs represent only repairs to existing facilities, not major improvements and expansions or new facilities.

Specifically, two recent examples of repair needs — both unique to Seattle — come to mind. First, the pilings which support portions of our Waterfront Park complex, including the Aquarium, were so severely deteriorated that our own Building Department threatened to close portions of the facility down because they posed a serious public safety hazard. Portions of the facility were restricted from public access while emergency repairs were made. More than $350,000 in repairs are being made to correct the most serious deterioration.

Second, two weeks ago a street wall supporting a major arterial street in Pioneer Square partially failed, breaking a side sewer, and threatening the stability of an adjacent building wall and foundation. This street wall, like many others in Seattle's older downtown area, is one small part of our renovation needs. Funds have not been available to correct these known problems before they become serious safety problems.

The existence of such an enormous backlog of repairs and renovations constrains us from making the necessary expenditures on maintenance which would prevent further decay. We are forced to fix things as they break, rather than prevent them from breaking. Moreover, such a backlog precludes expenditures for needed improvements to our existing capital system. For example, in order to prevent flooding in certain areas of the City, we need to invest in excess of $35 million for major drainage facilities. Construction of new detention basins and pipes adequate to prevent flooding also prevents erosion and sedimentation which represents a major water quality and fish habitat problem. Additional federal, state, and local resources are needed to solve our drainage problems. However, virtually all of our capital funds — gas tax, local bond funds, general revenues — are devoted almost entirely to renovation. And we are not spending nearly enough.

A Recommended Approach to Addressing Maintenance and Repair of Public Roads, Bridges and Facilities

I believe a federal, state, and local program to renovate and repair the nation's public roads, bridges, sewer systems and buildings is urgently needed. At the local level, we are now using every available funding strategy to keep our capital plant functioning. We are planning major renovation-oriented bond issues; we are finding maintenance budgets by taking severe cuts in recreation programming, police services and other vital local services, and by raising taxes to our statutorily imposed limits.

At the State level, the newly-elected representatives in both the House and Senate are preparing a package of legislation to attack these two problems. These efforts, however, fall far short of adequately addressing the needs of Seattle and the State of Washington. My conversations with colleagues from other cities throughout the country indicate that these problems are equally if not more severe nationwide.

To achieve the objective of maintaining the nation's roads, bridges, and other public facilities, federal legislation is essential. The network of public facilities nationwide provides the foundation for economic stability and growth. The interstate system and the mobility created by our highly developed system of airports, links one community with another from coast to coast and border to border. This national system depends on thousands of local systems to distribute goods, services, and people. Several actions are necessary to keep this interdependent system in good working order.

First, a legislative initiative to provide cities with additional manpower to perform routine preventive maintenance and minor repairs is an essential piece of a comprehensive package. Many of these maintenance and repair tasks can be performed by lower-skilled, lower-salaried workers similar to jobs that would be created by various jobs bills proposed on Congress. If we can utilize our existing local job classifications, with adjustments in local wage scales, then such a program can be implemented quickly and effectively. A federal program which includes a reasonable wage ceiling of $13,500 plus local supplementation, coupled with a 20-25 percent allocation for supervision and materials, could be implemented immediately. The lower-skilled, long-term unemployed could be put to work in important and meaningful jobs which benefit the rest of society. Pot holes in roads could be filled, buildings could be painted, roofs could be patched, park irrigation systems could be repaired, and buildings could be weatherized, saving cities millions of dollars in energy and other operating costs and preventing more costly repairs to our basic infrastructure in the future.

Second, a public works component is another essential piece of a comprehensive package. To be most effective, public works legislation should utilize the existing system in operation in local governments. Many local systems include bid limitations requiring contracting with private construction firms to accomplish major projects such as street resurfacing, bridge repairs, roof replacement and building renovation. Certain proposed jobs bills, such as HJR 562, are not sensitive to these limitations. A program, sensitive to local constraints, could be used to put the cyclically unemployed -- many of whom are skilled laborers -- back to work, and at the same time, begin to reduce the backlog of major maintenance and renovation needs identified by local and state governments.

A major public works bill, coupled with an employment program to assist local governments accomplish preventive maintenance and repair tasks, if properly formulated, could be implemented quickly. The funds should be granted directly to participating jurisdictions (large cities in Seattle's case) or set aside in a State pass-through program in order to ensure their rapid expenditure. A program for infrastructure repair and rehabilitation developed in a fashion similar to the former Public Works Improvement Program, or modeled after the principles embodied in the existing and proposed Block Grant programs, would serve the purpose of rapid expenditure for necessary public improvements. Such a program would benefit the long-term unemployed, the cyclically unemployed and the public by maintaining and rehabilitating publicly used facilities.

Again, I am encouraged by the recent discussions in Congress and in the Executive concerning these issues of national importance. If I can be of any assistance, please call me.

Sincerely,

Charles Royer

CR:kba

And Congratulations!

STATEMENT OF MAYOR DIANNE FEINSTEIN OF SAN FRANCISCO BEFORE THE SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

JANUARY 28, 1983

I would like to take this opportunity to extend my gratitude to the Committee for the efforts you are making to help Cities cope with the problems of our severely eroding infrastructure. Our inability to finance all the necessary employment and public works programs has brought us before you today. We must share the responsibility for putting the unemployed back to work by creating meaningful and productive jobs that will have long term economic benefits for our communities.

I would like to describe a particular project, which if funded by a Public Works Jobs Bill, could put 550 San Franciscans back to work soon as well as spur vitally needed economic redevelopment at Fisherman's Wharf and ultimately create 1,000 permanent jobs.

Construction jobs could be created very soon with the project because, as this was originally a Corps of Engineers project, all the engineering, design and environmental impact studies are complete for the most part.

A breakwater is needed to protect the Fisherman's Wharf harbor from the wave action generated by the ocean passageway at Golden Gate Brdige. For over twenty years, fishermen have been suffering extensive damage to their boats. During that time, the fishing fleet has dwindled so that now only the most loyal and hopeful remain.

The San Fransicso Port has expansive plans for economic revitalization of the Wharf; however, these plans all depend on the imminent construction of a breakwater.

San Francisco is surrounded by water on three sides. Our harbors provide our greatest natural resource to develop trade and industry and employ our marginally low skilled minority population. I view the Wharf as an essential part of the infrastructure of our City and one that deserves as much attention as our roads, bridges and other transit modes.

In anticipation of recieving federal assistance for construction of a breakwater, the Port, in conjunction with Bechtel Corporation, has completed a preliminary engineering report on a preferred breakwater scheme. The scheme includes the following:

- Construction of a 2,100 linear foot breakwater at the Fisherman's Wharf harbor (Estimated cost between $10 and $13 million).
- Construction of a new 3 1/2 acre commercial fishing industrial pier (estimated cost - $18.4 million).
- Tied to the successful development of the commercial fishing improvements is an estimated $200 million of private sector investment.

The benefits to be derived for San Francisco from the project are significant in the area of employment. The U.S. Army Corps of Engineers' analysis includes the following:

> "The expected increase in commercial and industrial activities in the Fisherman's Wharf area due to improved berthing conditions will provide more employment opportunities for the area. An increase of 1,000 jobs will bring more skilled and common laborers to the area."

One hundred eighty to 200 construction jobs will be generated by the protective breakwater. In addition, 350 to 360 construction jobs will be generated by the construction of the new Hyde Street Pier to support the commercial fishing industry.

Further, jobs will be generated in the construction of the Pier 45 mixed use development which can only go forward if we first implement the commercial fishing improvements.

In addition, to the jobs identified above, the development of new berthing, a protective harbor, and additional fish handling facilities will attract new industry to San Francisco and allow us to retain the existing industry.

Finally, there will be recreational benefits, such as protection of the Golden Gate National Recreation Area's historic ships.

I appreciate the Committee's consideration of our request and look forward to working with you in the near future as this legislation progresses.

CITY OF SAN JUAN

HERNAN PADILLA, M. D.
MAYOR

February 12, 1983

Honorable Robert T. Stafford
United States Senate
Washington, D.C. 20510

Dear Senator Stafford,

This letter is in response to your request for additional information pertaining to a number of issues regarding legislation that would stimulate employment and provide local government units with fiscal assistance for infrastructure development.

In my recent testimony before the Senate Committee on Environment and Public Works, I briefly outlined the status of unemployment and infrastructure problems in San Juan and their impact on overall economic activity in the City. Deteriorating infrastructure, such as streets and sidewalks, plazas and utility and transportation systems, is seriously impeding economic growth in San Juan by discouraging new investment by the private sector in key geographical areas of the City. In addition, our unemployment rate is currently 14 percent and is particularly acute in the construction sector. Finally, San Juan plays an important role in the overall economy of Puerto Rico as the island's major air and sea transportation terminal for an island heavily dependent on trade activities due to its insular location in the Caribbean, isolated from U.S. and world markets.

It has been our experience that Federal assistance for the support of local infrastructure development is most effectively utilized, dollar-per-dollar, when such financial assistance is provided directly from Washington to the local government unit, by-passing the state government. Cities such as San Juan have extensive experience in the entire realm of infrastructure development, from the planning and design stages, to construction and maintenance and operation -- experience that is in many cases not duplicative at the state level.

From our point of view, Federal assistance for these purposes are

best utilized when provided through broad and flexible block grant programs, rather than categorical programs which result in local governments having to use a greater percentage of these funds for administrative and support purposes. The successful development experiences of large cities such as San Juan with assistance from such programs as HUD's Community Development Block Grants is demonstrative of our ability to carry out both the planning and implementation of infrastruction development activity.

In addition, special programs similar to EDA's Local Public Works, which are geared towards very rapid construction and employment of underutilized workforces, are particularly helpful in times of recession to allow local governments to address projects of long-standing need which could not otherwise be undertaken while contributing to job-creating activity that improves overall economic conditions.

To some extent, there is a need to clarify and redefine the various roles of the Federal, state and local governments in the infrastructure development process. Local government units, even in major metropolitan areas, are generally limited in their ability to determine infrastructure needs and priorities without undue political controls at the Federal and state levels. More importantly, many jurisdictions (including San Juan) do not have sufficient financing authority to undertake these activities despite the existence of sound economic and market conditions and capabilities.

It has been our experience that infrastructure development must be directly tied to stimulating subsequent economic activity by the private sector. Infrastructure must not be viewed from the narrow focus of merely providing public facilities and services, but rather, as a catalyst that enables the non-public sector of the economy to perform the dominant growth the job-creating role within a community. Certainly, local governments have been successful in leveraging large amounts of private development monies through programs like HUD's Urban Development Action Grants in cases where the public contribution was used to support necessary infrastructure development that was required in order to undertake the non-public investment.

Thus, infrastructure development must not be seen as an end in itself, but rather, as an investment which should be expected to yield economic and social returns to the community, and to the nation, far beyond the initial dollar expenditure. This is certainly a major criteria for allocating infrastructure dollars in San Juan and is one way we can influence overall economic planning and growth management within our jurisdiction.

This is particularly the case in times of economic recession, when Federal resources are limited and when additional incentives may be required to stimulate new investment by the private sector. In the case of San Juan, a variety of infrastructure development activities -- renovation of streets and plazas, water and sewer systems and mass transit facilities -- are currently planned but not financable given the current budget restrictions of the City. It is important to point out that we are required by law to balance outlays and expenditures in each fiscal year (unlike the Federal government), are unable to print currency and are severely limited in our ability to tax or even borrow from private capital markets to finance such activity. This is the case with many cities across the country.

It is also important to distinguish the type of employment opportunities that would be created through an infrastructure development program from traditional public service employment initiatives such as CETA. Many have criticized these programs as make-work with employees merely put on public payrolls to perform non-essential or menial tasks because funding was available.

This problem can be easily avoided within the context of an infrastructure development program by restricting the use of limited Federal resources for actual project activity, not administrative purposes. Costs not pertaining to actual design and construction of infrastructure projects should be borne by the municipal government as their contribution to this effort. Where feasible, user fees can be used to support operation and maintenance activities once the project has been completed.

Efforts should be made to target these jobs to the structural unemployed, those persons whose jobs have been lost because of the current recession or because U.S. and world industrial and production trends are undergoing substantial change (such as in the case of autos and steel manufacturing) -- jobs that may have been permanently lost.

In order to be effective within the scope of the current recession, an infrastructure/jobs program must encourage rapid implementation of projects by requiring ground-breaking activities to begin within 90 to 120 days of funding availability. In this manner, jobs can be created immediately, reducing the traditional lag time that results in expenditure delays until after recovery is well underway. In order to achieve this objective, however, local governments must receive such assistance in the form of broad block grant programs, with maximum flexibility for project eligibility and implementation and a minimum of Federal and state

controls. Local planning, design and public bidding activities will require substantial time and resources in their own right without overburdening cities with undue bureaucratic requirements within a short timespan.

I hope these comments, in addition to those included in my testimony before your Senate committee last month, clarify some of the complex issues pertaining to cities and infrastructure development.

As a Republican, I am generally supportive of President Reagan's efforts to reduce Federal deficits through controlling spending. But a case can be made that supporting infrastructure development activities in our deteriorating urban areas is a sound economic investment which will, in the long run, contribute to actually reducing deficits by providing a foundation for future growth and expansion in cities like San Juan.

Not to take steps to reverse the continual trend of worsening infrastructure conditions in our central cities is to risk the need for future expenditures of far greater dollar amounts and to possibly choke any realistic opportunity for long-term economic prosperity in our urban centers.

Sincerely,

Hernán Padilla
Mayor of San Juan

INFRASTRUCTURE AND JOBS

WEDNESDAY, FEBRUARY 2, 1983

U.S. SENATE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,
Washington, D.C.

The committee met at 10:08 a.m., in room SD-406, Dirksen Senate Office Building, Hon. Robert T. Stafford (chairman of the committee) presiding.

Present: Senators Stafford, Chafee, Randolph, Burdick, and Humphrey.

OPENING STATEMENT OF HON. ROBERT T. STAFFORD, U.S. SENATOR FROM THE STATE OF VERMONT

Senator STAFFORD. The Committee on Environment and Public Works will please come to order.

On behalf of the committee, I am pleased to welcome all of you here this morning, especially our very distinguished guests.

I would point out—this may not be of great interest to the distingushed mayor of Baltimore—but this is Redskins Day in Washington and if this chairman doesn't want to be ridden out of town on a rail, we probably will have to conclude these hearings by 12 so people who want to meet the Redskins can do so.

It is a great honor to greet the mayor of Baltimore, Peter Goldmark, and Nancy Neuman, who will be witnesses.

This hearing is a second in a series that will be conducted by the Committee on Environment and Public Works on the issue of infrastructure and jobs. We heard from a distinguished panel of mayors last Friday, and we will hear from Governor Kean of New Jersey, among others, tomorrow.

Following these preliminary hearings, it's my intention to ask the committee staff, my colleagues on the committee agreeing, to draft legislation for introduction later this month.

The committee will resume hearings on that bill and related legislation as soon as possible, with the hope we will be in position to report legislation to the Senate by Easter.

Without objection, and I see nobody here to object, the Chair will reserve the right for Members who will be coming in to place their statements in the record, if they wish, immediately following my own and before witnesses' statements.

I want to reiterate my belief in the need for a strong bipartisan spirit if we are to begin resolving our problems. Rural States must work with big cities. East must work with West and North must work with South.

This committee can determine how to improve roads, dams, public buildings, sewers and water systems of America, and encourage jobs programs and help Americans who have been out of work to become productive again. But we cannot establish interest rates or set tax policy.

As I have said before, we will not achieve our goal simply by throwing money at the problem. Rather, we must find better ways to spend the limited funds we have for public works while simultaneously reducing unemployment.

We look to our witnesses for help in the search for solutions, for practical answers to some very practical challenges. We are very grateful to them for being here to help this committee this morning.

I am delighted to see my colleague, the chairman emeritus of the committee, Senator Randolph. Do you have an opening statement?

Senator RANDOLPH. What word did you use?

Senator STAFFORD. I said chairman emeritus, a designation that might be growing in the next couple of years.

OPENING STATEMENT OF HON. JENNINGS RANDOLPH, U.S. SENATOR FROM THE STATE OF WEST VIRGINIA

Senator RANDOLPH. I have had that word used at Salem College where I was a board member and a trustee for a number of years. Now I am a trustee emeritus. I was in Salem College some time ago where we are having financial problems in student aid, as all independent private institutions are having because of cutbacks that I think are inadvisable. But in walking up Main Street in the town where I was born, this man called across the street and said, "I want to talk with you a moment," and I said, "Fine," and I hurried over. He said, "You have been a trustee of Salem College for 50 years and now I see you are listed as trustee emeritus." He said, "What is the meaning of that word, 'Emeritus'?" I said, "It just means I am still hanging around." That is the way I am here.

I am delighted, of course, Mr. Chairman, to say that it is a privilege now, as in years past, to serve with you and the other members of the committee in attempting to bring to the Senate floor and ultimately to enact into national law programs that place people in gainful employment, help people to help themselves, and at the same time bring into being projects and programs which are substantial and not what we call makework.

You will forgive me for taking this moment. I have no formal statement. But there are so many people who do not know the facts who speak of WPA as leafraking. That is what they designate WPA as now, not having known what actually happened in the public works programs. Everyone on WPA worked. Let us remember that is factual.

The construction of buildings and bridges and roads, was done by those who could do the heavy jobs. In many, many communities, in West Virginia, Mr. Chairman, they are still using roads that were constructed under WPA. I am thinking of Braxton County, and Sutton in particular, the same streets that were put down back in about 1933 are still in use today.

WPA's writers' projects were carried on by men and women who could not do the heavier jobs of which I have been speaking? Today in this country, there are the memories of 1,400 books of one type or another that were written by people who were in the writers' projects programs. Let us also, before I stop, remember that we had and now have more than 1,200 paintings, murals on public buildings in the United States, in courthouses, and in practically every county of this country and that was all because of the talent of WPA workers.

The States of the Nation, had the opportunity to organize theater groups, the ballet, put on plays and this came into being as a result of WPA. And so there was not only very substantial projects such as roads and buildings, there also was culture to lift the spirits of the people.

I hope no one will feel that I am a little voluble about WPA, but to have it attacked by people who do not realize how beneficial it was causes me to bring it up in hearings of this kind. I am grateful for the opportunity to work with you now on whatever type of programs will benefit not only communities themselves and private industry as well but those who are gainfully employed, even though they are partially under the banner of a Federal program.

Senator STAFFORD. Thank you very much, Senator Randolph, and I will say I agree with what you have said. I was in and coming out of college during the WPA years. For the record I will note that several of the CCC camps were established in that era and are still in existence today. They are now YMCA camps, Girl Scout camps and so on. The work that was done then is still there and is still very useful in the community life of Vermont.

So I remember also the constructive aspects of WPA, the roads they built in my State and the work of the Civilian Conservation Corps.

Senator RANDOLPH. Mr. Chairman, I am grateful for your further comment, but this seems a natural time to speak of what has come from this committee in the way of public works programs, one of which was called accelerated public works. And so for the record, from this committee came the local public works program of 1976, $2 billion was involved. It was provided, and rightfully provided, and what came into being was 2,000 worthwhile projects across America. So we remember what has happened, we remember what the challenge is today.

Then we had in 1977 the expenditure of $4 billion and that expenditure resulted in more than 4,000 projects and created thousands and thousands of gainful jobs for men and women throughout this country.

Thank you, Mr. Chairman.

Senator STAFFORD. Thank you very much, Senator.

You do well reminding us of those things.

The first witness this morning will be the Honorable William Schaefer who is the most distinguished mayor of Baltimore. Mayor, we welcome you here. We are very grateful to you for coming and helping this committee as it embarks upon an effort to find useful jobs to help the unemployment situation and build the necessary roads, bridges, treatment plants and so on in this country.

Mr. Mayor, the floor is yours.

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STATEMENT OF HON. WILLIAM DONALD SCHAEFER, MAYOR, BALTIMORE, MD.

Mayor SCHAEFER. Thank you very much, Senator.

Let me just say I appreciate the opportunity to be here and if you will allow me some latitude on being able to move around a little bit, I would appreciate it.

Senator STAFFORD. We give you all the room you want.

Senator RANDOLPH. I will make a suggestion, Mr. Chairman. The chart might rather be placed on the other side where we will not be blocking the view of press and others who might want to see.

Senator STAFFORD. Why don't you put it up here behind the seats so everybody can see.

Senator RANDOLPH. For our guests who are interested.

Mayor SCHAEFER. You know, Senators, maybe it's very easy for some mayors or for people who are great speakers to be able to come over and just make a presentation. So many things go through my mind on how am I going to project to you the plight of the city, how am I going to project to you the plight of the poor in a very short period of time and your time is valuable, you have so many things to worry about—world affairs, domestic affairs—just some of the things you talked about, I could spend all of my time on talking about how did CETA get a bad name, how did public service employment get a bad name and you know, some of the responsibility, while we like to push it off on someone else, it's ourselves. Public service employment in the city of Baltimore worked.

Our people worked but the general consensus was that public service employees were people who came in, as one person on a talk show said, and then went immediately to the bar, spent the rest of the time in the bar, at the end of the day they went back and signed in again.

That is untrue. Same way with CETA. CETA got a very bad name. But if we could spend time on going to areas where these programs worked, I think it would be so much better, and unfortunately that doesn't happen.

Why am I here? What am I going to give you that is brand new? I am not going to give you anything that is brand new. I am here for a reason, I guess, of my own. Somebody is listening to me. I was here a year and a half ago and I sort of outlined on chart form everything that was going to happen to a city like ours when the budget was cut, when public service employment was lost, when jobs were lost.

I said then—not critical of Democrats or Republicans, but merely to tell you what was going to happen and everything that we said happened. It wasn't dramatic, it was just factual.

We have a very difficult situation. So I am here, I guess, to hear myself in a way and in another way that I will be able to go back to say to the people of the city of Baltimore in the soup kitchens, in the soup lines and unemployment lines, someone in Congress listened to me and there is a little thing called hope, maybe something will come out.

Let's assume nothing is done, nothing is done by the Congress—which I hope they will—nothing is done by the State, which I hope they will, we on this level, my level, still must do something be-

cause the unemployment lines are not going to disappear if we do nothing.

The soup kitchen lines are not going to disappear if we do nothing. The homeless are not going to disappear if we do nothing. So it will give me an opportunity to go back and say someone listened to me and maybe I have an idea or two that will be of some benefit. Nothing new, nothing you haven't heard from everyone else.

I heard you mention CCC camp. We suggested that for an urban conservation corps for kids in the city. We have enough trees and parks in the city that we can have our own conservation corps.

It was an idea that didn't come into fruition, but give us a conservation corps in the city. We can take a lot of these young people that we have on the streets right now and give them some hope. So that would work.

I am going to try to restrict myself to exactly what to ask you to do. I am going to talk about the state of repair of the public infrastructure, improving the deterioration types of projects that we could do, jobs and so forth. So I am going to try to figure this infrastructure in two ways—one, physical and human infrastructure, human being people.

So I think we start with a definition of what is infrastructure. Infrastructure is really the facilities, the equipment, service, installation and people needed for the growth and functioning of a community. Trained and productive work force, good education, basic services, food shelter and clothing, good transportation, everything that makes a lifestyle for the city of Baltimore.

Then we get down to the physical infrastructure and the Baltimore reality.

Where are we now? This sounds like a cry session and I hate to come over and always be asking for something because on the other side, if you go to Baltimore and see what has happened with Federal programs that you have helped us with, you will be amazed at the way we were able to show that when we had funds and had resources and there was Federal commitment, we were able to do it and we used the money not on make-work projects but in projects that helped the people, that helped the city, that helped the infrastructure that helped us help ourselves. But there is a realistic approach to this. We have 1,500 miles of water mains, some over 100 years old.

What do we need to do? We supply a quarter of a million gallons of drinking water everyday. We need about $24 million to upgrade or modernize this system.

When you have a system that is 100 years old, it is old and we need the money to do that. You are saying, I know it is running through your mind, are you coming over to ask us for all this money?

What are you doing now? If you don't get any money, what are you going to do?

The answer is simple. We are doing a certain portion of the work right now. We are doing some of the things right now with our own funds, local funds, 100 percent user funds but you get to the point where the cost of water becomes so high that you price water out of existence and so there is no Federal funds in the first.

Nineteen hundred miles of city-maintained streets. OK, we need $138 million to put out system in top shape. What are we doing now? For emergency funding, we need $80 million to do emergency rebuilding of streets. We have been putting it off for years, waiting for a gasoline tax, waiting for motor vehicle funds to be given to us, and all the rest of the things that every city in the United States, in somewhat similar position to ours—we are able to maintain, but we are not able to go back and repair and do the work, so you fill in the pot hole which is costly instead of being able to do it.

So what we would like to do is get some money to be able to resurface and rebuild.

We need $54 million to repair key economic development area roads, roads that will go into such areas as old Fort Hollabird—all industrial Pennsylvania. Those are essential because those are job creators, too. We have 349 bridges in the city of Baltimore, 150 need repair. You say, OK, we are not going to repair the bridges. We are at a point now where some bridges are no longer going to be bridges for traffic, they are going to be bridges for pedestrians. We are going to close them off and say no longer can trucks cross it. That won't end the world, but they will not be bridges that will move the traffic, and we need $160 million to move our bridge program and we are doing it, we are doing some of it, but what we need is to get to them before they fall in or before we no longer use them. Twenty-six hundred miles of storm drains, $87 million needed to update. Some, again, are over 100 years old; $87 million is the estimated cost of inspecting and repairing. Major underground leaks—when there is a leak we don't know about it, the street collapses. They do not disappear, they collapse and we spend money to do something about it.

How do we do all this? Well, capital improvement plan, when you set a certain amount of money aside to do it and then a major street such as Russell Street completely goes out, so instead of having an orderly process of capital improvement, you take all of your money to rebuild Russell Street which costs about $4 million to do one bridge—one bridge. That destroyed this so-called capital improvement plan and we go into what is known as a crisis situation. Water main on Light Street, right in the middle of the business intersection, $900,000, so when you lose $4 million and $900,000 because of your inability to continually inspect, improve, strengthen, you have some difficulties and that is what has happened to us.

This is one that I don't like to talk about. You don't like to hear what is all bad about your State and your cities. No mayor likes to come over and talk about the unemployment in the city. No mayor likes to come over and say only one-third of our population pay taxes—one-third of our population pay taxes, one-third pay some taxes and one-third pay no taxes. I am not crying again, but surrounding us are all the wealthy subdivisions—Baltimore County, Howard County, all the rest—where their tax rate is at least one-half of ours. And the poor people are centered in the city of Baltimore for one reason, they get the service, they get the housing, they get the medical care and it is not a part of the heartlessness on the part of the counties, but no county is going to open up their heart and say, "Bring your poor out to us and we will take care of

them." It doesn't happen from a practical way. In our city, our population is poor and that is something I don't like to talk about. Let's look at it realistically: 45,000 officially unemployed in a city of 152,000; 22,000 displaced workers; 40,000 out of work minority youngsters; 200,000 functionally illiterate in the city of Baltimore; 46,000 waiting for public housing.

Do you know why they are waiting for public housing in Baltimore City? We have most of the public housing in the State—no other subdivision is busy building public housing and we won't, either, because the program is going to end soon, and 20,000 are receiving unemployment insurance; that is the one we are worried about. Our tax rate for one-third of the people who pay taxes is twice as much as any other subdivision in the State at almost $6 and that is a very significant thing when you are worried about trying to keep taxpayers in your city.

Senator Randolph talked about WPA. We knew it worked. 617,000 miles of roads, 124,000 new bridges, 20,000 new public buildings. In the city of Baltimore, the Senator talked about some of the things he still remembers, Pretty Boy Reservoir, Montibello System in the city of Baltimore still in existence, reconstructed piers still in the city of Baltimore, Federal Hill was falling in; it is now still there. Druid Hill Boat Lake is still there.

He also talked about other things, such as school lunches and literacy programs, because sometimes we think that artists and artisans are not human beings.

One of the things on writers, theater, artists, musicians, under WPA, exactly the same thing Senator Randolph said, 2 million people were employed each year. Now it would be costly; it would be about $30 billion.

Senator STAFFORD. Mr. Mayor, I think Senator Randolph will be back here momentarily. We might just bring that out again when he gets here. I am sure he will be more than interested to see it.

Mayor SCHAEFER. Where are we today? What are we doing to replace our infrastructure? The 5-cent gas tax hike will bring us about $7 million out of the $75 million that is going to Maryland. It helps federally designated roads. Only one-fourth of our streets in the city of Baltimore are federally designated.

We have to find money for the other three-quarters and it costs more to fix streets in the city of Baltimore. It is obvious it costs much more. In an area where heavily populated—that is self explanatory.

The waste water system, Federal Clean Water Act requires us to make improvements to the water system of $200 million, and yet the Federal share is in the process of being shrunk from 75 to 55 percent.

At 75 percent now, the State pays 12½, we pay 12½, but the mandated increase to the water standards is very costly, and at $200 million and there is no way where we can find that money, and just to digress, to keep the city of Baltimore where it is today on our new budget, we need an infusion of $52 million right now to keep us where we are today. And you say that sounds like an awful lot of money. One is a wage increase for city employees that are in a very uncompetitive position—our police, firemen, and others in the surrounding areas—EDA, encourage job creation programs.

We used our money to set up the infrastructure on industrial parks that allowed us to bring new industry into the city.

Job training, the new Job Training Act worries me. The State is our new partner in this. I pleaded and begged not to have the programs go through the State. It states, and I will use that—I will use our own State—is not accepting responsibility for the poor.

What they are saying, if the Federal Government is not going to take care of them, you take care of them. Well, that is fine if you are in a wealthy subdivision where your tax rate is such and such where you don't have any poor because you don't have to take care of them, but when you are in a subdivision where the poor are located to say the State will take off a certain percentage, they don't know how to operate the manpower program, not being critical, they haven't been in it. We know how to do it.

I would like to see it go directly to the cities that know how to operate their own manpower programs, and we know how to do it and we have a track record that shows it.

Public service jobs—one of the great programs. Public service jobs that we have, we did not make work—I so deeply resent the press always saying that the public service jobs that you had the people were put on leaf-raking, as you said. They weren't put on leaf-raking. They were productive people that made money, put the money back in the economy, supported their families and if they didn't work they got fired. And that was one of our bases; that is the way we work it.

Work experience programs reduced. Work experience programs is one of the programs where you have people being trained and able to get education and move out into other hirings. If we can put that WPA.

Senator, you talked about WPA.

Senator RANDOLPH. Yes. Pardon me for having to be away.

Mayor SCHAEFER. You mentioned WPA, great program—WPA worked—617,000 miles—this young man, by the way, he was the one—he wasn't alive, or if he was he was very young at the time of the WPA. He went back to research WPA to find out if it worked. This is his chart. He is the one who developed this.

He said the program worked, and so 617,000 miles of roads, 124,000 new bridges, 120 new public buildings, some of the things we used it for, Pretty Boy reservoir, Montibello water supply. All the things are still there.

There is no sign on them anymore—WPA project. We get away trying to advertise and show some of the good things that are done. No one wants to put a sign up. I put a sign up on everything.

You drop your hat, I put a sign on it. Peoples, artists, musicians, painters, work over in the record office where I used to work years ago when they wrote all the deeds out in long hand, all those things were done and that program worked and he went back to research that and found it did.

Senator RANDOLPH. I don't want to interrupt the continuity of what you are saying. I do want to recall, and I don't want to be partisan, but in the days when WPA came into existence, there was not the fight between the White House and Capitol Hill, or Capitol Hill and the White House and I don't mention any parties.

There was a realization on the part of the American people expressed through those who were in Federal positions of one type or another—on the Hill or in the administration—that we had to work together if we were to do this job. And if you will look back, Mr. Mayor—and I know of your record of achievement—if you will look back at the votes in the Congress of the United States, you will see that people joined together in the approval of these programs. I remember the first vote that we had in the House of Representatives when we met in 1933. The President had been inaugurated and sworn in on March 4.

In those days, the House of Representatives came in after the President had taken office. We took our oaths of office on March 9. On that very day, the Emergency Banking Act was passed in the House of Representatives without a dissenting vote. It was a time when the people of this country moved and they moved emphatically, and I shall never forget the demonstration then of what I call the solidarity that needs to be built into the 1983's and 1984's that are just with us.

That same spirit of substance, of wisdom, it can come if we will approach these matters in a way of not harping criticism always but a desire to sit as we are as members of this committee in attempting not so much to revive a program that was named WPA or CCC but to know that now we have not only the opportunity, but we have the responsibility to act and to act affirmatively.

I heard you speak of EDA, the Economic Development Administration. Was that a reference you were making?

Mayor SCHAEFER. Yes, sir.

Senator RANDOLPH. I am somewhat saddened. My good colleague, the chairman here, knows that from this committee came the Economic Development Administration. We fostered it, we held the hearings. It became the law of the land. I hesitate even to say that in the first address of the President on economics he said in effect, if not in actual words, "We will abolish the EDA."

I remember that that was the expression that was made. A study of EDA will indicate what it has really meant to the States and its communities. Loans were made and then the local people came up with money and everyone worked together to save a plant and its jobs that was to close and is still operating today.

There are many instances in West Virginia which I may document for the record later where that took place.

When we are talking about these programs, as you are today, let's not summarily dismiss EDA. EDA is still alive because of the action of the Congress and I am not critical of those who take a different viewpoint, but many of us believe that it was an important program and should be continued. And so that is the testimony, in a sense that you are giving.

You are not asking to be bailed out, are you, Mr. Mayor?

Mayor SCHAEFER. No, sir.

Senator RANDOLPH. No, sir. You are asking that there be programs that can produce worthwhile jobs on worthwhile projects of lasting value. Those programs of past years were not for the moment or the day or the year, these projects stand and are used today. The people who were given jobs were able to help their chil-

dren through school, they were able to become self-sustaining citizens.

We can bounce back—I don't know if we would bounce as quickly as the Redskins can pick up a ball on the field—but I recall very well, Mr. Chairman, and I have to be pardoned, but when I talk about the Emergency Banking Act, 3 years later we didn't have a single national bank failure in the United States of America.

That was the first time in 55 years that that situation had ever existed. And so with no banks open, 3 years later the banks were open and people were doing business in this country. I am mentioning it today only as evidence that not all was right, not everything was correct, but there was a spirit, a wisdom, a vision of the American people that we have to, very frankly, recapture again, not as Democrats or Republicans, not agreeing on all of the refinements of what we have to do in the establishment of the law, but you come and we listen to you because you are on the firing line, aren't you, Mr. Mayor, everyday, and you have a population in a city like Baltimore where you have seen tremendous developments take place on your waterfront, even in times of stress and strain. And in the committee, we have been trying, as the chairman knows, to bring about the improvement of the ports of this country, notably Baltimore and at Newport News and at Hampton Roads, because we need to move the products to the users and consumers, not only in this country but through an entry port, like you have, to those purchasers and users overseas.

So you come to a committee that has been active and I believe has done a good job, at least in part, in developing the vehicle in which legislation has come to Congress which has become law.

I thank you for the rerun.

Senator STAFFORD. Thank you, very much, Senator.

Mr. Mayor?

Mayor SCHAEFER. Just to get back on what I was saying, when you are out of a job you are not worried about whether you are a Democrat or a Republican. You are worrieded about whether you are going to have a way to take care of your family.

Senator RANDOLPH. I do want to be personal for just a moment.

I had breakfast with my sister this morning. She is 83 years of age and she was talking to me about the years of depression. Her husband was unemployed for 1 year. They lived at Jackson Heights on Long Island.

For 1 year he searched everyday for employment, every day. She talked to me about pressing his clothes at home, about washing his shirts and ironing them. He didn't want his son who was growing up to know that he didn't have a job so he went every morning and smiled as he left and came back late after dark had fallen over Long Island with no job. And this was 1 year, 1 year.

They were renting a little apartment. There were people then—I hope they are still around—who say to Mr. and Mrs. Carr, you don't have a job, you are trying to get a job but I don't want you to have the added mental burden of thinking if you can't pay the rent, you are going to have to move out tomorrow.

His name was Mr. Maloy. He said you are trying to get a job and you will get a job and you will pay me when you can. And that is what happened. There are literally millions of documented stories

like that across this country where there are people who try to get jobs and then there are those who frankly do not try as much as we believe they should to have employment.

There are certain parallels now of what took place 50 years ago in the country. I don't know what we are going to find in that sort of program, but I remember in upper Michigan there were 2,000 farms that were being foreclosed.

The deputy sheriffs didn't desire to move in and issue the papers. They realized that these farms meant everything to them. They wanted to hold them. That is just in one State. So that is a problem today.

We have problems; we have a multitude of them, but, Mr. Mayor, without trying to make a speech and it might be thought by many that is what I am doing, if we look at these problems in government and as individuals, not as members of parties or even of those that are in so-called places of power, if we take these problems and grind them very carefully, bring out something that is worthwhile, even though we make mistakes, I think we will have then added to the word problem, the problem became a challenge.

There is a challenge now to people that are in positions of leadership, if we want to call it that. We cannot step aside and say this will take care of itself. It will not do it.

Thank you, very much.

Senator STAFFORD. Thank you, again, Senator.

Mayor SCHAEFER. I think one of the things that worries me, maybe because I am a city mayor, we don't think cities. If you think about where people live, a large majority of the people live in cities, so I think there must be that word, a permanent commitment to help rebuild our cities. Some of the things that we think can be done: New targeted public works grants to cities, Federal funds to create jobs on the road and bridges and the water main system and the buildings, and maintaining public facilities.

The second is Federal low-interest loans to cities. We look at something like a bond issue that we give to industry where we could come to the Federal Government at a lower interest, borrow money if we cannot get the grants to fund some of these projects.

Our first, of course, would be grants to us, but the other one would be also one that we would talk about. The third, jobs for people. Again, job training and retraining, and we will get to that in a moment, again, and public service jobs, where they are already trained and ready to go.

Where do we go? How do we start? I was admonished not to get into the way of telling Congress what to do. We won't get into that. Except one of the things we could do is forego the third round of tax cuts; use that money for jobs. In this way everyone is giving up something.

Now, the working people are giving up something in No. 1, the money to be targeted to create jobs for the unemployment; No. 2, increase incentives to industry to hire and keep the unemployed working. The tax credit, if an employer hires a person, he can claim up to $3,000 of tax credit in the first year, $1,500 in the second year. An idea was introduced in Congress to give long-term unemployment persons a voucher worth three-fourths of the amount of unemployment insurance a person is eligible for. An em-

ployer who hires the person would receive the voucher either in cash or as a tax credit to offset the wages. Now that is the second one that the Government would be doing something in that area. And the third one we talked about many months ago is more productive use of unemployment insurance. We mentioned this quite a long time ago, because we think to let the unemployment insurance money go to workers without in a way saying to them: You should go to a training person, you should do some type of public service, and I tried on our level to get a person who was receiving unemployment insurance money to do some volunteer work.

The labor unions said no, absolutely not, because you are taking away a benefit, and as a result of that, people thought that because they were getting that money they didn't have any duty to perform a volunteer service.

I think a more productive use of the unemployment insurance either in the area of training, training program or community service or using that voucher form would be of some assistance. Attention should be really given to that.

Senator CHAFEE. Can we ask questions as we go along? What is the arrangement here?

Senator STAFFORD. I think it would work better if we let the mayor finish, but we will allow questions.

Senator CHAFEE. I will wait.

Mayor SCHAEFER. We always are asked: Are you ready in the event you have some money; could you do anything right away, could you start employing people today or tomorrow? Well, immediate jobs, new construction jobs, chlorine facility at the water treatment plant, rebuild stream banks, rebuild septic tanks. Supposedly everyone is on a system. Rehab jobs, painting recreation centers, renovate fire stations, service jobs, home care for the elderly and disabled, emergency shelter, weatherization, whatever it might be. So it's a question of are we ready. November 12, 1942, in anticipating that there might be a program from the Federal Government, if you write us a check or you do something for us today, we have a list of every project that we can start, how much it will cost, how we will do it, ready to go. Every mayor has this. Every mayor is ready, so if you pay us the program, it will be along today because as far as I am concerned, you can't wait until tomorrow. Can you do it today? The unemployment problem is not tomorrow, it's today. We have a volume of books in any of the categories—new construction, if you tell us we have to use all new construction, if you tell us we have to do it in rehab jobs, if you tell us we have to do it in service jobs, we can start today.

Future jobs: Well, we need a good infrastructure to create a climate for investment. People have to look and see there is an opportunity to attract new jobs pertaining to the existing business and a leverage of new private investment. In short, a good infrastrcture brings in private investment so we think that is a very important one.

Who are we going to hire? Who are we going to work with? Unemployment construction workers, workers displaced by a changing economy. I want to tell you a little story, if I may. It will only take me 3 minutes.

Bethlehem Steel decided they were going to close down a shipyard. They gave us notice 3 months ahead of time. They told us on December 31, 1982, "we are closing the shipyard." We immediately started to work with them on what is going to happen to the loss of employment, what is going to happen to the land that is there, what is going to happen to all the equipment, and we set up a task force and we started to work with them. We then immediately tried to find a new purchaser. They weren't as interested in a new purchaser. They were going to close.

We said, "We need a new purchaser." They worked very closely, they found a new purchaser at the end. We worked in unison. Just the opposite is Western Electric. Western Electric, I am very disturbed with the way we were treated by Western Electric. I think this company has no sense of what I would call corporate or civic responsibility. We heard Western Electric was going to close. We sent a letter to them in December, saying: We are telling you, we hear the rumor, we want to work with you, we want to make sure everything is going all right. That was on December 15. On January 9, I got a letter from the president of Western Electric in which he says, "To this end, while we have reached no firm decision with respect to Baltimore, we are studying a number of ways to consolidate. In our plans we will stay in touch with you."

Western Electric has the right to close their plant, that is a corporate decision. They have no right—last week—to hand me a press notice saying: We are closing industry in the city of Baltimore affecting 2,800 jobs. That to me is irresponsibility. We need an early warning system when a major employer is going to pull out. We need a task force set up with the private sector, Government, everyone else to find out what happens to those people's benefits, where do they go, do they need retraining, what is going to happen to the vacant land. We have gotten vague interest from Western Electric. The reason I am so emphatic on this, I am a little bit disturbed on the way we are treated by Western Electric, just the opposite of Bethlehem Steel. We will use the displaced workers in the economy. We will use minority teenagers and long-term unemployed presuming that they don't need any retraining. And so on the bottom there should be that if retraining is need some way to finance the retraining and the question is retraining for what? What type of industry should they be retrained for.

The question is, can we do anything? Can we do it? We know how to do the job; we have a proven record. One of the things we attempt to do, we contract in with ourselves. Contracting in means that if you have a job to do, and you have a budget item for it, we provide the supervision, the city. We then go out and contract with unemployment minorities, whoever it might be, and let them do the job. We give them good supervision, they learn while they are working with us. The projects that we do have a visible effect. There is a motivation to work, we instill the work ethic and it leads to private sector jobs.

For example, some of the things on this contract end, we built brick walls at the Penn Station. Young people learned to be bricklayers. We have vacant lots owned by the city, rehab two floors at City Hospital. City Hospital had a room twice this size. No one was using it. We rehabbed that with unemployed minority kids under

the supervision of our own construction people and some of the unions. That is now an operating area. We did some sidewalks out at Fort McHenry, but it was a budget item and all we did was contract within ourselves and did the work. If we can get other funds, we can do contracting in. Other things we have done is blue chip in—where for instance we recently took three vacant houses in the city of Baltimore, we contracted in for part of it; we got a foundation to give $65,000. Contractors have given us some money. We are going to supervise, but minority kids with money from us and the blue chip in project and a foundation, we will be able to rehabilitate those three houses. It won't be as fast because it is a teaching process, but the kids at the end will know how to do some construction work and lead to some good jobs.

I am about finished. I talk at every cabinet meeting, and I have all my people here; they get tired of hearing this. At each cabinet meeting, if I can, I start off, and I say—we have a chart—"Help people"; "Help people." The second line, "Time is not on our side." That is all it says, and just about every meeting that I hold involving jobs or whatever it might be, we can somewhere along the discussion point to the chart, "Help people; time is not on our side." I use it because I am getting older. Some of the young people think they can have a project they can do in 2 years, 3 years, 4 years, 5 years. It has got to be done now, right now, and if ever time is not on our side, it is right now.

The last thing is, the thing that I worry about in our State and our Federal is next-yearitis. Next year, the State says, we will solve the training problem; next year we are going to look really at the tax structure, next year—well, next year the people that you are talking about, I don't know what happens to them during that interval.

Let's take me; I am 61 years old. If I get laid off tomorrow and someone hands me a pink slip and says, "You're out of a job," I've got a life span of some time. I may still have a mortgage. I haven't applied for a job in 22 years. I don't know how to get a job. I don't know what to do. We are teaching people with a program called Renew, 200 people that are just unemployed and those who are coming off their unemployment insurance, and we are going to say to them, "This is what you have to do when you apply for a job, these are the additional skills you have where you may be able to get a job in a different area." But can you imagine when you go around and you do it, and so do I, and I went down to a number of areas over the weekend, I looked up and a man put his hand out, "I am 58 years old, I was just laid off, what are you going to do for me?" I don't know what I am going to do for him. I can come over and tell you that guy needs a job, some training. Some hope that will give him an idea that at the end of a couple of weeks or a couple of months, he may not go back to the same job, but there will be some job for him. And the last word I guess I should put up there is the word "Hope."

I am finished.

Senator STAFFORD. Mr. Mayor, thank you for an extraordinary fine message to this committee. It will be very helpful to us in our deliberations as to what we can do. You have a reputation as being one of the Nation's most outstanding mayors and I can see, of

course, in the hour we have been together, why you earned that reputation.

Mayor SCHAEFER. Senator, I feel good to come over here when you say I am a good mayor. Nobody tells me at Baltimore. I like to come over here and hear you tell me that.

Senator STAFFORD. Mr. Mayor, we do have a few questions.

The chair will lead off by asking you a few questions and we might try to cut ourselves down to 5 minutes if we could because we have a number of other witnesses this morning.

Mr. Mayor, you referred to the immediate construction jobs list which you had in your hand for the city of Baltimore. Could you give us any information as to what that might cost in sum and any further details with respect to it?

Mayor SCHAEFER. I can leave you this book. Why don't I just leave you this book. It goes anywhere from $1 million to 200,000 jobs. It goes in every range. We are flexible.

Senator STAFFORD. We will make that a part of the hearing record if that is agreeable with you, Mr. Mayor. (See p. 97.)

Let me ask you this in connection with the local public works programs that we have authorized on two different occasions and that Senator Randolph referred to in his remarks earlier. Could I ask you what your experience in Baltimore was with respect to these local public works programs? Specifically did the city defer investments of its own meanwhile waiting for LPW money, and what specifically did it do with the LPW money?

Mayor SCHAEFER. Senator, we did it this way. I got everybody in and I said to them, I don't want to stop our own program. These are things that we would like to do that we can't do, we can't do. Let's devote all the money to the projects that we can't do. Our first reaction from our public people in public works is let's catch up on what we have. I don't think that is what you gave us the money for.

I interpreted it as extra jobs, extra things we couldn't do. We built schools, we opened up a school for the arts, put a lot of money in the school for the arts. The school for the arts is a magnificant place, a great place. We could not have done that. So what we attempted to do was not use your money to do the things we were supposed to be doing but use this as extra things we would like to do we couldn't do that were important and we had great success with it.

Senator STAFFORD. Thank you very much.

Do you have any problem with the construction unions in operating through what you describe as your own mini-WPA?

Mayor SCHAEFER. No; we haven't. We are working closer with the unions. They help us in a way and these projects we are talking about are not gigantic, what you would call a gigantic project. They are smaller projects that if you put profit and loss and all the rest out of there it would just make them out of proportion. We haven't had difficulty with the union. We are working very closely with Mr. Rush. I might say some of the new programs we are going to work with, the unions are participating with us. I think they understand—labor, management, government—this isn't a time where you can stand on ceremony. You have to work together.

Senator STAFFORD. What has Baltimore done, Mr. Mayor, to encourage job training programs among the unemployed? Can you give us a few examples?

Mayor SCHAEFER. Our CETA program, I think, was one of the most successful in the country. We first, of course, whenever we went into a training program, we started off with the premise that there would be a job at the end and not start off with training people for the sake of training. Community projects, we have done a number of community projects. We have done this program with the renovation of buildings. The whole area of CETA programs in training.

I can tell you, you don't expect 100-percent employment but public service—let's take public service jobs for instance. There was a feeling that public service employees didn't get jobs there, it was dispelled by the Hopkins report that shows 65 percent of the people almost immediately got jobs when the public service employment was over and over a 2-year period, about 90 percent were employed.

We didn't have 100 percent, but you remember where you are starting in the CETA program. You are starting with many who have never had a job, never had any hope, you start with the very basic and you get them to the point where they are construction workers. Some of these kids in weatherization, one of the best programs we ever had. Took the kids, taught them how to weatherize a home, went right into private industry as fast as we trained them. Baltimore Gas & Electric Co. took over that.

Senator STAFFORD. Thank you very much, Mr. Mayor.

Senator Randolph.

Senator RANDOLPH. I believe my earlier comment is a tribute to you, Mr. Mayor, and those who are associated with you. It is encouraging to me that this committee can be a forum, not an inactive group of Senators, we have never been that. And when we hear you relate the facts that encourages us. I can say individually it is very beneficial in my thinking of what we may do within this committee as we have done in the past.

We have moved in the very areas that you have spoken of and you told us that those programs, because you have been the mayor during this period of time, that they have worked, is that right?

Mayor SCHAEFER. They worked, absolutely.

Senator STAFFORD. Thank you, Senator Randolph.

Senator Chafee.

Senator CHAFEE. Mr. Mayor, first of all I want to join in welcoming you. We worked together on several projects. This year I really hope we can get that urban enterprise zone functioning and rolling. You mentioned the third round of the income tax cut possibly being deferred. I think there is considerable merit to that, but there is one part that is troubling me. I would like your reaction to it. Unquestionably it would save us a lot of money. It would increase our revenues and help the overall situation.

Yet is it your recommendation that it be just to drop the whole thing; or drop it just for those in what you might call the higher tax brackets. Frankly if you do that, that is symbolic of nicking the rich but you are not changing the revenue picture that much. Unfortunately there are not enough rich around to make a significant

difference in the overall picture, is it your recommendation to drop the whole thing?

Mayor SCHAEFER. Mine is not to just place it on the rich.

Senator CHAFEE. Drop it all?

Mayor SCHAEFER. Drop the tax; target to the jobs.

Senator CHAFEE. With the additional revenue then you have got some money.

Mayor SCHAEFER. That's right.

Senator CHAFEE. Thank you, because I am glad to have your thoughts on that.

Second, Davis-Bacon. Davis-Bacon haunts us here in a whole series of projects. If we are going to do anything we have got to have Davis-Bacon. Yet the question is, if you have Davis-Bacon, are you helping the so-called structurally unemployed? Could you give us your thoughts on that?

Mayor SCHAEFER. We wrestle with the Davis-Bacon, and I think modifications. The unions should be a little bit more reasonable on prevailing wages, but you have such a tremendous opposition by the labor movement on this——

Senator CHAFEE. Pretty tough. The point is, what you are doing if you keep Davis-Bacon; I presume the answer is you are not getting new people involved because, frankly, there are enough trained, skilled workers out there who are unemployed and they are the ones who would naturally be called back by the contractors.

When you want to rebuild the bridge, fix the tunnel, or do whatever is done.

Mayor SCHAEFER. You have to target some of this so that the other groups are involved, too. We haven't had that great amount of difficulty on some of the projects we were talking about.

Senator CHAFEE. That is specifically what I wanted to ask. What do you do about your contracting a Davis-Bacon situation?

Mayor SCHAEFER. We don't do it.

Senator CHAFEE. You don't have Davis-Bacon because there is no Federal money?

Mayor SCHAEFER. Right.

Senator CHAFEE. Well, I guess that is the answer. How about a youth minimum wage, have you used that at all? I guess you can't use it because of the Federal law.

Mayor SCHAEFER. It has been suggested to me very strongly that I should not support the subminimum wage for young people. I strongly support it.

Senator CHAFEE. You do support it?

Mayor SCHAEFER. I do; I am for it. I testified in the State, I testified here, and I understand that is a break in the minimum wage. I don't think it is. I think you can get twice as many youngsters employed in the summertime on this subminimum wage for young people. I would like to see it; I would like to have Baltimore designated as a pilot city to try it. I know we had a "Blue Chip In" and we went to the private sector to ask them to come up with jobs for kids last year.

We started off with zero. We got 1,730 jobs with "Blue Chip In" that the private sector paid for. If we're able not to pay the mini-

mum wage—which we did—we would have been able to hire 3,500 kids.

Senator CHAFEE. I must say, I am interested in what you are saying because I have difficulty, maybe the others haven't. I am trying to get it clear in my own mind whether it is good, whether it is de minimus, it doesn't amount to much. When you talk subminimum wage for youth, you are talking 15 percent.

Mayor SCHAEFER. One-half of the minimum wage.

Senator CHAFEE. One-half?

Mayor SCHAEFER. One-half of the minimum wage.

Senator CHAFEE. Wow, well, you are talking something.

Mayor SCHAEFER. Yes, one half. Again, I know this is the one thing of all I said today that will be all over the place: I am for subwages. I said earlier we need a wage increase for firemen, police, all the rest because in good conscience they are not making the money they should make. The minimum wage, contracting wage are all fine. I am talking about youth.

Senator CHAFEE. What do you call youth, by the way, Mayor? Is there any cutoff point?

Mayor SCHAEFER. There are two: There is one up to 16 and there is one to about 20 or 21. There are two separate youth areas we work in. We used to hire 10,000 kids, then the minimum wage kept going up and we kept cutting back. We went from 10,000, to 8,000, to 6,000. Last year there were 5,000 This year while $350 for a summer job is not as good as $700, double the number of kids will have an opportunity. I really believe, as far as small business is concerned—that is, neighborhood groceries and neighborhood shopping areas, things like this, you will get twice the amount of young people employed.

Senator CHAFEE. And the upshot of it is these youngsters learn work habits, get discipline.

Mayor SCHAEFER. I can't tell you how important those summer jobs are. Those summer jobs in some respects were the only thing that kept a family moving. That was the money that was brought in. It really has helped kids stay in school: There is no question about it. It is one of the things I had to see cut back—summer employment—and particularly in a city where—we had a chart, I don't know if you were here—40,000 minority kids are unemployed. You hear these words that kids going through school, after a while they are so discouraged, they think why complete school, there isn't any job anyway—it is not only in the books, it's a reality.

They really don't think there is an opportunity for a job for them, particularly if they are not great scholars.

Senator CHAFEE. Mr. Mayor, you certainly are a refreshing witness. No one can doubt your candor and forthrightness with us. You mentioned the possibilty of being unemployed at 61. I think your chances of remaining employed are excellent.

Mayor SCHAEFER. I don't know. Thank you.

Senator STAFFORD. Thank you, Mr. Mayor, very much indeed.

Our next witness will be Mr. Peter C. Goldmark, Jr., executive director of the Port Authority of New York and New Jersey. Mr. Goldmark, we appreciate your coming down here to help this committee with our deliberations in connection with infrastructure and jobs.

STATEMENT OF PETER C. GOLDMARK, JR., EXECUTIVE DIRECTOR, THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

Mr. GOLDMARK. Thank you, Mr. Chairman.

Senator STAFFORD. We are prepared to hear whatever opening statement you wish to make.

Mr. GOLDMARK. Thank you, Mr. Chairman, Senators. Mayor Schaefer is a tough act to follow.

Senator STAFFORD. Mr. Goldmark, you do have a long statement.

Mr. GOLDMARK. Do not panic, Senator, I am not going to read it.

Senator STAFFORD. We will place it in the record in full. We will be glad to hear your summary of it and any material you wish us to have.

Mr. GOLDMARK. There is one chart Steve Carlson, acting manager of our office on infrastructure renewal review will put up as I talk.

My name is Peter Goldmark. I am executive director of the Port Authority of New York and New Jersey. The Port Authority is a bi-State agency charged with the development and protection of the 1,500-square-mile New York-New Jersey port district. We are in the public works and infrastructure business. We have over $5 billion invested in 26 transportation terminal and trade facilities.

Senator STAFFORD. How much is that again, sir?

Mr. GOLDMARK. Over $5 billion. At the end of the 1970's, we discovered in our region two aging water tunnels that carried virtually all of New York City's water supply have never been dewatered and inspected. We noticed it would cost $500 million to repair bridges over the East River. Pipes and sewers in the cities in our region are being replaced on cycles that will replace each sewer about 600 to 800 years. It should be done three to four times during that period.

We estimated, in short, that about $40 to $50 billion over the next decade should be spent simply to rebuild the existing life-support systems—transit, highways, bridges, water and sewer. The existing system is rusting out, rotting out and wearing out underneath.

How do we get there? You know the story as well as I do. Generally government is intent on providing such services at the lowest cost while pricing principles barely cover the cost of operations. In the end, we are left with a deteriorating facility, skyrocketing operating costs, poor service, a large replacement bill, and no depreciation reserves or capital capacity to do it.

While this problem is developing not only in our metropolitan area but all across the country, our relative investment in infrastructure is actually shrinking.

This is a slope chart, Mr. Chairman. We will supply you the numbers to back it up if you want. Essentially this is national spending by all three levels of government on those five life-support systems I mentioned as a percentage of GNP in real dollars over the past decade. The slope is all that counts.

In 1970, as a country, we were spending about 1½ percent of GNP on these life-support systems. Today we are spending about half of that level, three-quarters of 1 percent.

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Senator CHAFEE. What is the other line?

Mr. GOLDMARK. The other line is from our region; that is the gross regional product from New York-New Jersey. It shows you, with minor differences, simply the same slope.

My rhetorical question is obvious. In what forum is this decision made? In what debate about budgets or priorities were voices heard for and against changing that rate of expenditure? One of the suggestions I am going to leave for your consideration is that time has come for some equivalent of a domestic capital budget for the Federal Government so at least these questions are focused on.

A couple of suggestions for your debate. I know from your opening remarks, Mr. Chairman, the Committee is beginning consideration of the issues. Here are some ideas you might consider as you debate what kind of legislation to recommend.

First of all, and one that will have very few proponents, I would suggest considering a small amount of money available for research. I think you are going to hear very few voices for that. I myself am one of the small number who recommended a modest amount—perhaps 1 percent of all infrastructure expenditures go for research because we cannot rebuild the Nation's infrastructure exactly the way it was done 100 years ago. It is one of the ways to make sure this program is not inflationary, to make sure it increases productivity, to make sure new technologies and new methods are used.

To give you one simple example, there are people today in universities working on ways to use linings for sewer pipes and water pipes rather than digging the whole thing up, taking it apart and putting it back down. If we are going to get into billions of dollars of infrastructure rebuilding, a small and modest amount of money ought to be spent on research.

Two, I believe State and local governments must assume the primary role in infrastructural renewal. What responsibilities the Federal Government has in this area should also be decided upon. Toward that end, I would propose, as some of your colleagues are now discussing and as has been proposed in the House, it would serve all our purposes to have a domestic Federal capital budget, and not because that will necessarily generate more money for these life-support systems. I don't know if it will or not. All of us, including the people Senator Randolph and Mayor Schaefer were talking about, deserve to have this issue debated and focused on as to whether we want to have that decreasing of capital expenditure continue.

The third idea. We are going to be talking about this infrastructure renewal program as to how it can affect unemployment. I would suggest adding a counter-cyclical element to any multiyear capital infrastructure program that will essentially have built-in triggers, so during those periods of unemployment it can be activated by a simple vote by the Congress, without new hearings or legislation, which could expand and accelerate—not necessarily the same thing—the rate of public works spending. Had Senator Randolph asked me how fast the 1976–77 money was used when I was New York State budget director, I would say we were finally able to get those dollars out 18 to 24 months too late. That was a result of the way both State and the Federal Governments worked.

In both cases, the mechanisms have to be preinstalled and preplanned by what you are about to do so they can be countercyclical and not procyclical. Terribly important.

Fourth of all, it would not surprise you to have a local official urge you to have a maximum amount of flexibility. I think you should encourage trading by the States and cities, not only across categories but across years. Tomorrow you will hear Governor Kean of New Jersey describe the infrastructure banking he has proposed for the State of New Jersey. We at the Port Authority proposed a bank of regional development. Both of these could work best within the framework that you were talking about if they were able to trade across Federal years and if they were able to trade across some of the present narrowly defined Federal categories and if they were allowed to have cash-in options.

The last point I want to make in conclusion, Senator, relates to the ongoing process of disinvestment. Any economist or analyst looking at the country's infrastructure would note that more value is coming out every year than is going in. If local and national economies are going to revive, we have to convert that to a policy of investment. The gas tax program is a good start. We need an expanded and sustained program. In our own region, a program of $40 to $50 billion over the next 10 to 12 years is not impossible. We suggest to you that we have done that much before, both in our region and as a country, but we applied those public investments to the agenda of a different decade. We used those billions of dollars in the 1960's and early 1970's to build nursing homes, hospitals, universities, schools, and Government buildings.

A similar amount of capital must be raised by local or State governments. They must be applied to the agenda of the 1980's, which is rebuilding our mass transit systems and the other life-support systems.

It is very fashionable these days in government to say that things are very complex and complicated. The simplicity of this one is what strikes me. There is a massive requirement. Everybody has looked at it and agrees on it. There is a need for jobs and employment. I don't think anybody can seriously question whether our country has the capacity to finance these jobs if we choose to.

I am going to suggest in closing, Senator, this is a simple problem, not a complex one.

Senator STAFFORD. Thank you, Mr. Goldmark; we appreciate your being here, too.

Do you have any specific suggestions for a trigger should the committee consider going back to a counter-cyclical program?

Mr. GOLDMARK. I don't have a specific one. I would suggest a conceptual one. A good early warning system, I think, could spot regional unemployment rates as opposed to national ones which tends to balance out peaks and valleys. You could, if you wanted to, have a composite index with plant closings and so on, I think a simple regional nonagricultural employment index that focused on the trend and rate of change and if it gets worse by two points in a 3-month period that ought to be the trigger.

It shouldn't have to wait until it reaches 8, 9, 10 or some absolute number. There are some economists more skilled than I. I would strongly recommend it be regional in nature. We are dealing

with an economy that is behaving very differently. I would require in this act that State and local governments present evidence that they are ready to move quickly should those triggers come into being just as the Federal Government is.

Senator STAFFORD. You state it is common knowledge that Federal assistance can often double the cost of projects. You then say this need not be. Would you help us by expanding on your saying this need not be?

Mr. GOLDMARK. What I had in mind there, Senator, is perhaps not well expressed. I have a very specific suggestion. You all heard the litany of officials saying we have too many permits, too many procedural requirements. To a degree, public works and investment infrastructure building focuses a lot of its money on rebuilding what we do. It is one thing to build a new highway or new bridge, but to rebuild an existing one or repair an existing sewer, I would suggest that there can be an extremely streamlined fast track system.

I strongly suggest that any legislation in public works has as one of its fundamental conceptual demarcations: proceed fast. That is critical, as you heard Mayor Schaefer say. The degree of review—environmental, safety, and other layers of review—is what stretches out these projects and often doubles the cost of them.

Senator STAFFORD. Thank you, sir.

How can the overall Federal public works program, highways, dams, sewage treatment, public buildings and so on which this committee is concerned with, be reshaped to achieve more without an increase in Federal spending?

Mr. GOLDMARK. I guess I am one of those who believes the way to do that is to make sure that money is flexibly at the disposal of State and local governments to use it. They are the principal borrowers and raisers of capital in this area. Very often we at the State and local level know that the 10 percent and the 30 percent of Federal money drives the entire program, it drives its pace, its timing, its politics. If I were sitting in the Federal chair saying "How do I get the most benefit and how we make sure it is available flexibly, let the locals set priorities, let them decide how much for water supply, how much for sewage. Second of all let them trade across fiscal years. Third of all let them bank it or cash it in as they want, as Governor Kean will propose to you tomorrow.

I can leverage Federal money; if you will give me my next 4 years of water supply grants, I won't be back for 4 years. I'll bank it, start earning interest on it, start matching local government funds with it. Why shouldn't they do that? They are going to do most of the work.

The last thing I would like to see, Senator, is a little complicated to describe. When I was first budget director of New York State, I went down to meet the new Federal budget director, as budget directors of the States do. You have to ask yourself "If I get one thought into this guy's head what thought do I want to get in?" I thought, "This guy is going to be around a good time, I better make it a good thought." His name is Bert Lance. I said, "Mr. Lance, I am not going to ask that you take over the State welfare or medicaid. I am going to ask you for one thing. I am going to ask you to create in the executive branch, or somewhere in the Federal Gov-

ernment, one place whose institutional responsibility it is to ask how the Federal, State, and local governments are spending the money together in terms of making the economy work," because in New York State, at that time I represented it, the same time the Federal Government put $800 million in tax reductions into our economy, we at the State level had to take exactly that amount out.

So you have two political convulsions. Agonizing decisions reached at the two levels of government were a total neutral result in terms of the State economy. It really wasn't quite neutral, it was worse than that. We were going through the fiscal crisis and, at the same time, in 1976, as we had the Federal tax cut of $50 per person to stimulate the economy there were 3,000 or 4,000 people in the State of New York who got their $50 tax rebate in the same month's mail that they got their pink slip from the city and State. That will happen during this year in States and cities all over this country.

People who from Federal action are the targets of economic stimulus programs will from other governments be getting pink slips.

I would suggest some thought, which may go beyond your committee's scope, that there be a place to say how do we get these level of governments to address the economy in the same way at the same time.

Senator STAFFORD. Thank you very much, Mr. Goldmark. We really, as I said before, appreciate you coming here. You must have been in Albany for a number of years which put you fairly close to the Senator from Vermont.

Mr. GOLDMARK. I taught in your State for a number of years.

Senator STAFFORD. Senator Chafee.

Senator CHAFEE. Thank you, Mr. Chairman.

Mr. Goldmark, one of the problems we confront here is, yes, the infrastructure has crumbled throughout the country in many places. But whose responsibility is it? I am not chastising you or New York or any particular place, but there is no political mileage in renewing one's sewer system or one's water mains. Just tiptoe through another couple of years, hang it together with a little bailing wire and in the meantime give the police and firemen a great big pension increase because that is far more attractive and far more politically rewarding. And so you end up in the situation that the city of New York is where they have extremely generous pensions and disability benefits.

I will never forget the man from the New York Fire Department who was on disability for a bad back and wanted to climb up the Empire State Building. Nobody checked. It only came about because somebody happened to spot it, not through official skill but through inadvertence. So I guess my question really is: What confidence can we have that the municipalities or the States are going to maintain the infrastructure when we are finished with it.

We are spending time here trying to rehabilitate the Interstate Highway System, which the States were delighted to receive on a 90–10 basis—who wouldn't—but as far as care and maintenance of it, it has been minimal on their part. So now we are into a whole new 3R program and the gas tax is going to keep the Interstate

System and primary and secondary roads, which we support, from crumbling. So why should we go through the whole exercise again?

Maybe if the New York water system collapses, then we will pay attention to it. That is harsh medicine, but I am curious of your answer.

Mr. GOLDMARK. I have served at all three levels of government. I guess I see it a little more differently and hopefully than you do. I would be the first to agree that sins can be found at all levels of government, Federal included.

We all have much improvement to make. I don't think that is the point. I think governments from one end of this country to the other have neglected their capital assets. That is why we are here. There is no question about that.

The question is: is the machinery, will, and attitude in place to begin to do something about that?

When someone started talking about this in the late 1970's, people thought infrastructure was a disease and something you study in a laboratory. Now it is a buzzword on everybody's lips. Nobody—not I—nobody else can sit here and look you in the eye and say they have a guarantee that 10 years from now if any of these things are done, State, local, and Federal Government will still be as committed as they say they are today in maintaining those operations. There are no such guarantees in public life, and your career is longer and more distinguished than mine and I think you would probably agree with that.

One of the things you do in public life is you identify sets of problems and the problem of the rotting capital structure of this country has been identified.

It is now fashionable. For me it is an opportunity. It has to be done. If our economy is going to thrive it has to be done. If Bethlehem Steel and Western Electric are going to survive in the other parts of our country, it has to be done.

If we are going to be competitive with foreign economies—we spent one-quarter of what the Japanese spent on rebuilding our capital—it has got to be done.

The question is now how we are going to do it, not whether we are going to do it. We have to do it, Senator, with no guarantees that all governments will behave responsibly henceforth.

Senator CHAFEE. I think your answer is a good one. I think we have got to advance with the assumption that governments are going to be responsible, that the people care. Any other assumption, of course, is that our whole system can be called into question, which it doesn't deserve to be.

Let me ask you a question about unemployment and the effect on jobs in a program like this.

How much does it really do for jobs? When we had the gas tax program up before us in late December and the repair of our highways and bridges, and so forth, I think most people are going to see that it is not a jobs program and the administration made that very clear.

Some people hoped it would be jobs, but clearly one large segment of our population—women—aren't going to get one iota of benefit from either that program or the program you are espousing here today.

So how can you say it is going to affect jobs?

Mr. GOLDMARK. I think your assessment is essentially right. I think it is good to have that said. Both the gas tax program and the capital infrastructure rebuilding program I am talking about should not be reviewed primarily as a jobs program. They have secondary employment consequences and that is good.

If you were to go a step further and ask me for my thoughts, I would think the kind of legislation coming out now should consider having two very distinct components, one to rebuild capital infrastructure, where I said very clearly the State and local governments should take the lead, with help from the Federal Government, because the Feds are, for better or worse, in the act now, and the second, a component aimed at creating employment, lasting, gainfully, not here one year and gone the next, as Senator Randolph suggested, lasting and gainfully but that should not be confused with a program to rebuild our water systems and roads.

Look at the simple multiplier effect out of those programs; you are correct, they are not massive job producers. They are important for our economy and have a very substantial secondary employment generation aspect.

They should be viewed primarily as rebuilding our crumbling——

Senator CHAFEE. Out of those projects, you would not recommend any change in Davis-Bacon or youth minimum wage?

Mr. GOLDMARK. I am troubled on youth minimum wage. I have no idea at what level it should be set. Davis-Bacon troubles me a good deal. I am not a labor expert. I have been very tempted in the past to think it would be good if on these kind of projects we had some sort of cutoff on the range in which Davis-Bacon applied.

Senator CHAFEE. By range you mean geographic range?

Mr. GOLDMARK. No; I mean in the following sense: We have jobs, for instance in the construction field, that would be protected by Davis-Bacon which on a full-time basis would pay an individual $50,000, $60,000, $70,000 a year—operating engineers—extremely skilled and high-paying jobs.

The kind of range I would suggest for consideration is a dollar range, saying there would be a form of prevailing protection up to a certain amount. To say there will be prevailing protection, I am using an extreme example because I am not the right place to consider a level, to say there is a prevailing wage protection on jobs that pay $25, $30, $35 an hour by the time you add in overtime, I don't know if that is it.

Senator CHAFEE. Thank you, very much.

I think you have pointed out a tremendous problem the country faces.

I appreciate your coming.

Senator STAFFORD. Thank you, Senator Chafee.

Senator Randolph.

Senator RANDOLPH. Mr. Goldmark, I had necessarily been absent, frankly, talking on the telephone to West Virginia where unemployment is the highest in the Nation, not surpassed by Michigan.

They are now well over 15 percent unemployed. Many of our counties are experiencing 25, 28, 30 percent unemployment. That is

the nature of the two calls I have been working on in connection with certain possible programs.

You are regional authority, is that correct?

Mr. GOLDMARK. That is correct, sir.

Senator RANDOLPH. I know your position, but who is the head of the port authority?

Mr. GOLDMARK. I am the operating head. The governing body is a board of commissioners, six from each State appointed by the two Governors, six each from New York and New Jersey.

Senator RANDOLPH. It seems that I once knew a gentleman that was a part of the Nelson Rockefeller program who was in this work.

Do you recall his name? If I heard his name, I would recall it.

Mr. GOLDMARK. There was a chairman of the board named Bill Ronan, who at one point was an aid to Governor Rockefeller.

Senator RANDOLPH. That is the gentleman. I had an opportunity to talk with him on two or three occasions about the problems of the port authority. Mr. Ronan is a tall gentleman. I remember him very well and very conversant.

What is he doing?

Mr. GOLDMARK. I don't know if he is chairman or vice chairman of a company called Continental Copper and Lead, I believe. That company is on Long Island.

Senator RANDOLPH. Ronan, R-o-n-a-n.

Mr. GOLDMARK. R-o-n-a-n. He is still a member of our board.

Senator RANDOLPH. That is what I understood?

Mr. GOLDMARK. May I convey to him your best?

Senator RANDOLPH. Yes, if you would. I haven't seen him for some time. We did have many conferences and I found him very helpful and understanding of what we were trying to do here in the committee.

I just have one question. If you do not receive help from any action or actions of the Congress or the Federal Government, in what position are you in connection with the deterioration, and I use the word, I am not sure you did, of all the facilities which are perhaps overburdened and are rather antiquated at least to some degree?

Mr. GOLDMARK. I would like to divide my answer into two parts, as I did to Senator Chafee. I am speaking for our region in a larger sense, Senator, because for the port authority, a large sum of money has always been set aside to maintain its facilities.

There is no policy of deferred maintenance on the port authority bridges, tunnels, airports, and other facilities. But in the region in which we are situated a large metropolitan area, there is a large investment in capital stock and disinvestment is going on.

The major part of that infrastructure renewal role falls to State and local governments. If Federal assistance is not there, we will, as Mayor Shaeffer said, simply do less of it.

We will still do it and still do more in the decade of the 1980's than we did in the 1970's, because we have learned these systems have to be rebuilt and maintained. That is rebuilding a capital infrastructure.

I suggested the job issue went beyond and was different from simply rebuilding the capital infrastructure. I would suggest broad-

ly if our region, as well as other regions of the country, do not benefit or receive help from a broadly and compassionately conceived Federal jobs program, what I would call a drift in the economy will take hold and begin to seize up and become worse.

That is my personal feeling, Senator.

Senator RANDOLPH. Are you asking that the Federal Government have a program or programs that would have an impact on your situation that you, I am sure, very well detailed in your testimony?

Mr. GOLDMARK. I am sorry, would you repeat the question?

Senator RANDOLPH. Are you suggesting that there is a program or that there are programs that are necessary that would have a constructive benefit in the work that you do and the region that you serve?

Mr. GOLDMARK. Yes, sir, I am suggesting two principal strands to that. One, Federal assistance for rebuilding of the capital infrastructure, what I called earlier our life support systems.

Senator RANDOLPH. But you said you keep those support systems in good condition; I thought they had deteriorated.

Mr. GOLDMARK. I was talking about the port authority's own facilities, our own bridges, tunnels and airports. I would dare say if you went over the George Washington Bridge this morning you would not find a pothole. However, the broad regional capital infrastructure is deteriorating, it is in desperate need of construction and maintenance.

When you say "your facilities," you may want to distinguish in what the port authority has responsibility for and the general bridges——

Senator RANDOLPH. How many people are employed by your port authority?

Mr. GOLDMARK. About 8,000 directly.

Senator RANDOLPH. Does it vary?

Mr. GOLDMARK. No, sir, it does not vary greatly.

Senator RANDOLPH. That is what it was 10 years ago?

Mr. GOLDMARK. Slightly less than it was 10 years ago because I had my management get productivity increases out of our department. My focus is on keeping permanent staff, steadily, if possible, decreasing.

Senator RANDOLPH. Do you need that number of people essentially to do the job you have to do?

Mr. GOLDMARK. Yes.

Senator RANDOLPH. So you can't save money on employees, per se, by numbers being decreased.

Mr. GOLDMARK. That is essentially correct, sir.

Senator STAFFORD. Thank you, Senator.

Thank you, Mr. Goldmark.

The last witness scheduled this morning will be Nancy Neuman, who is the first vice president of the League of Woman's Voters of the United States. She is accompanied by Jane Fleming, Betty Jean Hall, and Marcia Greenberger.

We would invite you all to come to the witness table. We deeply appreciate your being here.

Would the other two identify themselves, please?

STATEMENT OF NANCY NEUMAN, FIRST VICE-PRESIDENT, LEAGUE OF WOMEN VOTERS OF THE UNITED STATES, ACCOMPANIED BY BETTY HALL AND MARCIA GREENBERGER, NATIONAL LAW CENTER

Mrs. NEUMAN. I am Nancy Neuman.

Ms. HALL. I am Betty Jean Hall.

Ms. GREENBERGER. I am Marcia Greenberger of the National Law Center.

Senator STAFFORD. Would you proceed?

Could we respectfully suggest in view of the length of your statement that it be summarized and we will place it all in the record.

Ms. NEUMAN. You will be happy to know I am not going to read my entire statement.

We are very pleased that you have convened this hearing so that we can present the kind of concerns the League of Women Voters shares with the other organizations that are here on this panel.

Most specifically we want to address the employment needs of women in these difficult economic times. Recently, the league has coordinated a group of over 50 organizations from labor, the civil rights, and the women's community to unite around the issue of jobs for women.

We are calling upon Congress to enact jobs legislation that contains strong provisions for nondiscrimination and affirmative action and provides women equal access to all jobs.

Joining me today are two members of this ongoing effort. We are grateful that you have started off the new year by convening these hearings on what is clearly the most critical domestic problem facing this country today, the devastating unemployment.

We sincerely hope that this interest on your part can be translated into effective and immediate action by Congress that will help put Americans, both women and men, back to work.

While the unemployment crisis has affected all segments of the population, those of us sitting here today would like to focus on one important segment that has been affected, that is women.

We want to state emphatically that it is time for the Federal Government to recognize that the American labor force is comprised of both workingmen and workingwomen and that the unemployment crisis this country faces today is a crisis for both women and men.

With this recognition must come Federal programs and policies that will put all Americans back to work. In September 1982, over 48 million women, 16 years and over, were in the labor force. This represents approximately 43 percent of all workers.

The labor force participation rate of women has doubled since 1960.

On the other side of the coin, 9.5 percent of women were unemployed as of November with the figure approaching 50 percent for young black women.

My written testimony contains statistics which will document the reality of poor economic unemployment picture for women today in America.

In order to allow a little more time for discussion, I am not going to go through all of that but I think basically you know what those statistics mean. There is no need to prove what is fact.

The American woman today is fairing little better economically than her sister of a few decades ago. In fact, statistics indicate that today's woman is very much worse.

The league and its sister organizations that are part of the group I mentioned are familiar with these statistics and we believe the poor economic status of today's woman can be attributed to the occupational segregation of over 80 percent of the female work force into traditional so-called female jobs, which are undervalued and underpaid. And to the exclusion of women from well paid jobs traditionally held by men.

Make no mistake, we do not minimize the work women do in traditionally female jobs nor their value. However, the truth is that nationally these jobs are not valued or paid according to their true worth. In fact, recent statistics from the National Commission on Working Women state that the average woman must work nearly 9 days in order to receive the wages paid to men for 5 days of work.

Today, though, we would like to focus on the movement of women into nontraditional jobs. Compensatory training programs such as those operated by wider opportunities for women, litigation efforts such as those manned by the National Womens Law Center and the League of Women Voters Education Fund, local advocacy efforts such as those undertaken by the Southeast Womens Coalition Commission and strong Federal commitments to enforcing existing civil rights laws are all necessary strategies to enable women to successfully enter and remain in nontraditional jobs.

First, let us look at some of the barriers women face in trying to enter nontraditional jobs. Those women who are able to avoid the tracking system and education in many Federal jobs programs must find compensatory training programs in order to find the skills needed to enter nontraditional work. They must overcome resistence from employers, even those who are under contractual obligations to hire women.

Other barriers faced by women seeking to enter nontraditional jobs, ranging to inability to adequate child care and transportation and harrassments for demands of sexual favors, threats, sabatage of equipment, denial of safety equipment, and outright assault.

All this on top of overcoming the first big hurdle, just getting hired.

The Federal Government through Executive Order 11246 and its implementing regulations has obligated Federal contractors to hire women and minorities.

For Federal construction contracts, the obligation is embodied in percentage goals for women in each trade which must be met by the contractor, although this administration has proposed weakening those goals supposedly failure to to meet these goals will result in debarment.

In one of the cases, the contractor Uniroyal was again eligible for Federal Government contracts after a 4-month debarment.

At least in the Uniroyal case, debarment proceedings were actually carried out and resulted in back pay awards for women workers who had been discriminated against.

But this is the exception rather than the rule. Reports from the women's employment and training programs reveals investigations of discrimination complaints, much less debarment, are remiss.

There are several examples to support this argument in this testimony which I hope will be placed in the record.

Despite this dismal state of affairs, some few women do manage to enter male intensive occupations such as skill craft trades, electromechanics, waste water treatment techniques, among others. These women, once given a chance, prove to be competent and productive workers, like their male counterparts. But they are only able to get this chance when the full array of strategies is mobilized to insure access.

In conclusion, we urge Congress to take immediate and effective action to put America back to work. We know you will be examining many employment proposals in the next few months. Development of a new jobs package presents an opportunity to avoid the problems of the old programs and to eliminate the sturdier type and outmoded images of women workers. Any proposal given serious attention by Congress must insure employment equity for women. In order to achieve this goal, we believe that any employment proposal should contain the following: One, nondiscrimination and affirmative action provisions working together with title VII of the Equal Pay Act and Executive Order 11246 and enforcement requirements to insure these provisions are, in fact, put in place.

If any jobs are to be created by an act of Congress, then women must receive their fair share of such jobs. It is incumbent, therefore, that any such legislation insure access to nontraditional jobs for women as well as more traditional jobs that women are already trained for and nondiscriminatory treatment once in those jobs. Unlike the recently enacted Federal gas tax increase legislation, any additional legislation must contain expressed provisions assuring that a fair number of the jobs created by the act will go to women.

As the figures in my testimony sharply demonstrate, those jobs have for the most part been unavailable to women and the gas tax bill contains no incentives to hire women for those jobs.

Two, provisions for occupational development, upward mobility, development of new careers for women and for overcoming set stereotyping.

Three, provisions for the creation of public sector jobs with equal access to wages and benefits for women, at the same time there must be safeguards to protect against the displacement of public employees so they do not lose their jobs to those hired under any public employment initiatives.

Four, provisions for the development of alternative work schedules, including flextime, part time and at home work and experimentation of such programs as short-time compensation with efforts coordinated with unions and management.

Five, provisions for the expansion of resources for child care. Women must have child care when they go to work. We are pleased that the Tax Equity Act and Physical Responsibility Act of 1982 passed by Congress last summer includes incentives for employer operated child care centers. While a step in the right direc-

tion, it is simply not enough. While Congress hath given with the right hand, it hath taken away with the left by reducing funding for the social services block grant and subsidizes child care for low-income persons.

Child care must be affordable because if it is not affordable it simply is not accessible.

Six, provisions that will insure pay equity for women workers. We cannot stress too strongly the need for pay equity. Women like men must earn a living wage if they are to support themselves and their families. For women, even holding a job does not mean escape from poverty because wages for traditional women's work are so low. Many women who work full time still qualify for food stamps and/or income assistance. We, therefore, urge that any employment legislation considered by Congress include pay equity or equal pay for work of comparable value as a component.

That concludes my prepared remarks. I have two people here with me on the panel who are experts and have firsthand knowledge about successful strategies that are needed to guarantee women access to nontraditional jobs and I think you might like to ask them some questions.

Senator STAFFORD. Thank you very much, Mrs. Neuman. Maybe they can contribute to the questions that I am about to ask.

Let me start by noting that it has been estimated that 98.3 percent of construction workers in this country are male. And so I ask these questions: How can a public works job program provide employment opportunities for women and how do we obtain equal access for women in heavy construction jobs, especially those which are heavy unionized?

Ms. GREENBERGER. I think we certainly can provide jobs for women in the construction area. There are a number of statistics that show that in face the plight of women in construction is particularly unfortunate at the present time for a number of reasons.

The Labor Department has been keeping less statistics than they have in the past but they have done a study, it is now about a year old, which showed that the unemployment rate for women in construction is higher than the unemployment rate for men in construction. So that, in fact, we have women who have held construction jobs who have had more difficulty in finding those jobs than the man.

Second, constructions jobs really offer a critical route for job ability, in fact, job earnings, decent wage for women. There have been a number of programs across the country that have trained women for constructions jobs and tried to place them and have had difficulty in placing those women in the jobs. It is a mobile work force because of the way construction hiring works. It is not a situation of displacing workers who are already on the work site.

These particular job training programs have focused, for instance, on women on welfare and been able to place them in a relatively short period of time on construction jobs with major success. So I think the experience has shown that women can be trained and placed in these jobs with quick turnaround time, it is a mobile work force so that they are able, with turnover, so they are able to move in when jobs are created.

That in fact women who have held these jobs are now employable and available for work. And, in fact, many construction workers even at the present time are hired without previous training. One more note, with respect to the construction area, has been the emphasis that women's groups and others have placed on apprenticeship programs in an effort to get women into construction jobs through the traditional route, as well as through these other mechanisms as well.

Administration officials announced to women's committee basically that they were going to stop looking at the Department of Labor program designed to place women in apprenticeship jobs. That was simply a responsibility they were going to adhere to. So we have a situation where the women are available, the women want the jobs, they can do the jobs but we have a system in place now that is not taking advantage of that.

Senator STAFFORD. Thank you very much.

Would it be possible for us to submit a few questions in writing that you might be willing to respond to in writing? I think the Chair would like to do that if that is agreeable to you. I will reserve that right for myself and members of the committee.

Senator Randolph, do you have any observations or questions?

Senator RANDOLPH. Your organization is called the League of Women Voters?

Mrs. NEUMAN. Yes.

Senator RANDOLPH. Do you vote?

Mrs. NEUMAN. Of course, I vote.

Senator RANDOLPH. You know there are more than 5 million more women of voting age than there are men of voting age in this country, did you know that?

Mrs. NEUMAN. Yes, I did.

Senator RANDOLPH. So you have tremendous strength at the polls, is that right?

Mrs. NEUMAN. Right.

Senator RANDOLPH. If people vote.

Mrs. NEUMAN. Yes.

Senator RANDOLPH. We have had, in West Virginia, a period when no women were coal miners, but today they are coal miners. Women are working underground in coal mines producing coal alongside of men who are coal miners. Their record has been very good. That industry thought that women would never workout. Training programs have been brought into being and women are now working in the mines. I think in a sense it is a developmental project across the board, not that every woman is physically able to work in the coal mines, but there was a time when coal produced beneath the earth was done strictly by digging. Now with new technology coal mining is not just the pick and shovel operation that it once was.

So there are opportunities even in an industry like that that didn't exist 15 or 20 years ago. I bring this out to indicate that at a certain period in a certain industry, there was not the opportunity or even the advisability of women working, but today there is, and even in construction, which our chairman has mentioned, more women are employed than ever before. Yet I am not trying to compare the numbers, but to say that there are the opportunities

which exist for gainful employment, for unmarried and married women, to work at the present time.

I read an article the other day which indicated that married women were happier working at employment outside the home as opposed to just staying home and rearing their children.

Do you have any feeling about that or have you seen any statistics or do you feel that is true or it is not true?

Mrs. NEUMAN. I don't have any statistics, Senator. I probably could find some but most women work because they have to.

Senator RANDOLPH. I don't think that is true.

Mrs. NEUMAN. By and large, perhaps the happiness factor comes through not worrying so much about putting food on the table, but two parents working. Some women are fortunate enough they can work to supplement an already good income. But I think you will see in some of my written remarks that we have, for instance, 16 percent of families in this country are now headed by women as the sole breadwinner, and when you get to minority women, the figures are extremely high. And of those households, about one in three are at the poverty level or under.

So it is hard to generalize. I think just women are individuals just as men are. As you mentioned some women are physically suited for certain jobs that some men are. Some men are not physically suited to work in the mines as well as women. It is hard to make a broad statement that women are simply happier out of the home than in the home.

Senator RANDOLPH. I will reread this article, because it was intensely interesting as I first looked at it in which there was a feeling the happiest household is one in which both the wife and husband were working.

It just struck me. Apparently some analyses have been made.

Ms. HALL. I feel compelled to add I have a very close knowledge of how the women miners got those jobs starting with the first women in West Virginia in 1973. It did not happen by accident. The women got organized and they had the good fortune to start trying to get those jobs at the very strong—there was a strong office of contracting compliance programs. It was through combined efforts of the women getting organized and making demands, having the Congress create the office and the legislation to make it possible for them to take on this industry. A lot of these same women have now been working with the highway construction industry and we are not having nearly the success today as we had breaking the barriers of sex discrimination in the coal mines 5 years ago.

The reason is a lot of these Federal agencies have been very much weakened. The bottom line is we must have in any legislation that comes out to create jobs, very specific language that talks not only about nondiscrimination but talks about affirmative action for industries where women and minorities have been traditionally excluded because that is the only way that good results happen.

Thank you.

Senator RANDOLPH. Thank you.

Ms. GREENBERGER. I wonder if I can make a comment about women voting——

Senator RANDOLPH. I want you to.

Ms. GREENBERGER. I think, in fact, that women have always voted. They are voting more now than ever before and they are also, I think—many polls and newspaper articles show—perceiving their interests in very direct ways. I think in particular that economic conditions that women face and employment posture that they have is very much a factor in not only their voting but the way they are voting. In any jobs legislation, I think this general situation has to be taken into account. Women do recognize what they need and that they need jobs and they need governmental assistance in order to get those jobs.

We have seen this administration take numerous positions that weaken the laws we have on the books that prohibit discrimination employment, undercutting affirmative action, cutting back of the staffs of the programs charged with the responsibility to be sure women and minorities do get their fair share of jobs. In the critical area of women in construction, this administration has proposed weakening the goals and timetables that are now in place to put women into those construction jobs, and I have been at meetings where lawyers for industry and for management have said that they are having a hard time convincing employers that there is any issue at all about the importance of hiring women for these jobs. That is a position and perception repeated again and again. So if Congress, in passing job bills or passing legislation in a secondary manner, will have an impact on creation of jobs, which does not specifically address the particular employment needs of women, I think that the same old business as usual message will be given to women voters and they will continue to vote in the same way they did before and continue to express their disenchantment which we have seen over the last few years.

Senator RANDOLPH. Women don't vote in as high percentage as men——

Ms. GREENBERGER. Yes, they do.

Senator RANDOLPH. They do not and it can be placed in the record. I am not argumentive about it.

Ms. GREENBERGER. It was true in the past. Over the last few years they have been increasing their percentage of voting.

Senator RANDOLPH. I think that is good.

Ms. GREENBERGER. Yes, it is a change in pattern of percentage of voting as well as the way women are voting and that is a recent phenomenon.

Senator RANDOLPH. I am not talking about the way they vote, that is a decision process, but the voting percentage of women is lower than men. I don't say it hasn't been increasing but that is a record that can be placed here and I am not argumentative. You are not speaking to me as someone who doesn't employ women. Out of 25 persons on my staff only 5 of them are men. That is a rather good percentage for women, isn't it, 20 out of 25 in my office?

Ms. GREENBERGER. We will talk to colleagues and other employers around the country about increasing their efforts as well. It would be very good.

Senator RANDOLPH. No one had to hit me on the head, you know, because I knew women could do the jobs; they are doing them. It is

a pleasant program we have and no difficulty at all. I am only saying you oftentimes will be surprised at the number of women who, on Capitol Hill, vastly outnumber men in the offices and in the committees. So I am only saying that I don't believe there has been any reluctance on Capitol Hill, to employ women who are capable and do productive jobs, would you agree?

Ms. GREENBERGER. I think that brings out an important point which came up in the testimony earlier. There are really two critical issues that affect women's employment. One, giving them access to jobs and making sure they actually have employment; but the second is making sure that they can rise, that their pay is fair and that they have access to jobs at every level so that they are heads of committee staff as well as clerical workers on the Hill.

It is important to look and make sure women are found in all levels of employment.

Senator RANDOLPH. They have in the office I have.

Ms. GREENBERGER. That is very good, but I am not sure that is a record Congress as a whole could duplicate.

Senator RANDOLPH. I don't want to lay it alongside other offices. There is no differentials in pay. Women hold responsible positions in our office. We don't think of them as women and men so much but as a team working together.

Senator STAFFORD. Thank you very much, Senator Randolph.

Senator Chafee.

Senator CHAFEE. Thank you, Mr. Chairman.

First I want to commend you for your statement, Mrs. Neuman. I think it is one of the better statements we have heard and it brings out a point that needs to be made. I sat through the hearings here on the so-called gas tax jobs bill and I don't think—maybe the chairman can correct me, but I don't think it ever came out that when there is any mention of jobs that that jobs bill would do anything for women.

I think you are right to constantly stress that when we talk about these different public works bills, we should see if the women get something out of it because your statistics are overpowering. I am a member of your organization by the way.

Mrs. NEUMAN. Good.

Senator CHAFEE. A dues paying member. I frankly didn't know things were going downhill here as far as the relative pay of women now vis-a-vis men as compared to what it was in 1955. Those are very discouraging statistics. So I commend you and hope you keep up your work. You might have noticed when I questioned Mr. Goldmark I mentioned women.

Mrs. NEUMAN. Yes.

Senator CHAFEE. This came to me because women's groups, yours and others, have made the effort to proselytize all of us on this subject. I think it is well done. I commend you and want to thank you, Mr. Chairman.

Senator STAFFORD. Thank you very much, Senator Chafee.

Senator Burdick, did you have any questions or observations?

Senator BURDICK. I am sorry I came late. I will read their statements very carefully with a great deal of interest.

Senator STAFFORD. I think the Chair will close by saying in the course of the gas tax rise which was the Finance Committee's baby

usually the way it is defined. People in that group benefit a lot from the experience. These are people who have been out of the labor market, who often are not used to participating in the labor market; they can only get work experience in low-level jobs. The unions will not let them in, nor will the civil service let them in, at high-skill levels in a tight period. You cannot displace a regular worker. So, if they are talking about fairly low-skilled and disadvantaged people who have limited experience in the labor market, as in the "workfare" program I mentioned, the fact that these persons have even half a year's job experience makes it a lot easier for them to operate in the labor market.

Picking up on a popular way of characterizing the labor market by looking at help-wanted ads, there are jobs. There is a lot of turnover in the lower levels of the labor market. I would be careful not to go overboard on this point. Nevertheless, it is true. It is hard to transition people after they finish a public service job in a high-unemployment area.

Senator STAFFORD. Mr. Peterson.

Mr. PETERSON. The most relevant job experience in public works is working for private contractors. That is a reason for allowing any Federal initiative to be utilized by contracting with the private sector with public guidelines as to who should be employed and under what terms.

Senator STAFFORD. Thank you both very much.

Senator MOYNIHAN. I just want to thank our panel and my old friend and colleague, Dr. Nathan. We believe in States, too. We believe in exactly 15 States, isn't that right?

Senator STAFFORD. Which 15?

Senator MOYNIHAN. The 15 represented on this committee.

Senator STAFFORD. They are first among equals.

Gentlemen, for the committee, let me express our deep appreciation to all three of you for being here and helping us this morning. We will be sending you some questions for your early response. We are going to embark on an attempt to put some legislation together as a working paper for the committee during next week. That will be done at the staff level, frankly, while we are home explaining things to the folks and getting their opinion about our proposals.

Once the committee has been able to chew a bit on whatever we are able to produce next week and determine some consensus about possible legislation, we then may take the liberty, if that is agreeable to you, of sending you copies of what we have for your reaction. That would be very helpful to this committee.

Having said that, and under the circumstances, there is no scheduled meeting for the committee in the future, the Chair is going to recess the committee subject to call of the Chair.

The committee is adjourned.

[Whereupon, at 11:58 a.m., the committee adjourned subject to call of the Chair.]

[Statements submitted for the record and responses to written questions follow:]

STATEMENT OF GOVERNOR THOMAS H. KEAN ON
THE NEW JERSEY INFRASTRUCTURE BANK
SENATE ENVIRONMENT AND PUBLIC WORK COMMITTEE
FEBRUARY 3, 1983

Thank you Mr. Chairman, members of the Committee. It is indeed a pleasure to come before you today to share our work on the New Jersey Infrastructure Bank. I believe our efforts over the last year in developing this proposal may prove especially timely as you begin to grapple with the immense problems of infrastructure renewal and job creation These are problems that necessarily fall to government to solve. However, they cannot be solved solely by the Federal government, and it is my position that States must play a major role in designing and implementing programs to address these needs. The New Jersey Infrastructure Bank provides the means for my State--to insure investment over the long term in infrastructure, to create jobs, to clean up our environment, to reduce our dependence on the federal government--and to accomplish all of this in a fiscally sound and responsible manner.

I would like to share with you today the basics of our proposal. This work is the result of lengthy and exhaustive analysis by State officials and our financial advisors, and I cannot begin to represent to you adequately, in this short time, all the details that are available. Instead I will briefly review the development of the Bank, its structure, and one example of how a program would operate within the Bank.

NEW JERSEY'S NEEDS

In New Jersey, deteriorating public systems - sewers, solid waste disposal systems, water mains, roads, bridges and transit systems - are barriers to economic growth and to the attainment of environmental standards. These deficiencies directly undermine the State's program to attract and retain business investment.

Federal funds traditionally have provided a major source of capital for building and improving New Jersey's infrastructure, but for the most part these funds have been cut substantially in recent years. New Jersey's contribution to infrastructure financing has been generated principally from sales of State general obligation bonds authorized by the voters for specific purposes. To maintain the State's fiscal integrity and its triple-A bond rating, the dollar amount of bonds issued each year must be carefully restricted to amounts supportable at current revenue levels. This can result in long delays in implementing authorized programs and precludes new bond acts from being fully funded for many years.

I believe it would be useful to summarize the costs of meeting New Jersey's infrastructure needs in four major areas, as compared to the fiscal resources currently authorized for these purposes.

Wastewater Treatment. In the area of wastewater treatment, our State is confronted with a total need, estimated conservatively, of $2.4 billion for construction of 237

projects to meet Federally mandated clean water goals. This is in addition to the $1.8 billion in Federal funds already spent by the State in this program. All 237 projects will be ready for construction in the next four years. About $1.2 billion in projects will be ready for construction by this April.

The Federal sewer construction grants program is currently authorized for funding for fiscal years 1982-1985, at approximately half the level of the previous ten years. During that four year period New Jersey is authorized to receive only $385 million, with which only 24 of the 237 eligible projects can be partially or fully funded. With the existing FY 1982 and FY 1983 appropriations, we are able to fund partially 13 projects. To stretch our Federal funds to reach even this number of projects, New Jersey will make grants for 65% of project cost beginning with FY 1982 funds. In addition to Federal funds, New Jersey traditionally has made State matching grants of 5% of the eligible project cost, but these grants now will be converted to interest free loans. $40 million is currently authorized through State Bond Acts for this purpose.

Water Supply. In 1981 New Jersey completed a Water Supply Master Plan which contains recommendations for the construction of certain new water supply facilities, testing and repair of interconnections, and repair and rehabilitation

of antiquated systems. A five year action plan was included with an estimated direct cost to the State of $350 million. Subsequently the voters approved a $350 million Water Supply Bond Act to address the needs detailed in the action plan.

Through the year 2000, the total need for investment in all water supply systems, including those privately owned, or owned by local governments, is estimated to be about $1.3 billion. Beyond the action plan, this allows for the rehabilitation and upgrading of treatment plants, some $200 million in additional rehabilitation of supply systems, and the development of new water supply sources.

Resource Recovery. We have pressing solid waste management problems to contend with as well. Landfill capacity in New Jersey is rapidly being depleted and costs are rising due to shortages of sites, stricter environmental regulations and closures. Future siting of landfills will be extremely difficult, but resource recovery offers a promising alternative. However, landfill costs are at present considerably lower than resource recovery costs, which makes it difficult for local elected officials to endorse resource recovery. The result is rapidly depleting landfill space, insufficient long-term capacity and little progress toward resource recovery implementation.

Resource recovery is difficult to implement, as it requires large investments and complex financing plans. Construction costs range anywhere from $7 million for a 750 tons per day facility, to $225 million for a 2000 tons per

day facility capable of serving the needs of our densely populated northeastern counties.

We have developed a Statewide Solid Waste Management Plan which estimates that 18 resource recovery facilities will be required by the end of the century, at a combined cost of close to $1.6 billion.

In the Natural Resources Bond Act of 1980 New Jersey voters approved $50 million to be awarded to counties as grants and/or loans for the planning, design and construction of resource recovery facilities.

Transportation. The Department of Transportation estimates capital needs for highways, bridges and mass transit to be about $4.9 billion in New Jersey over the next seven to ten years. Over this period the State can expect to receive about $2.0 billion from the Federal Highway Trust Fund, and could receive up to $1.5 billion in federal urban mass transit funds. About $200 million in authorized State bond proceeds will be available during this period for highways and public transportation.

These few examples clearly illustrate the wide disparity between the State's need for infrastructure investment and the resources which might be available to meet that need. Additional infrastructure requirements exist which only serve to increase this disparity.

NEW JERSEY INFRASTRUCTURE BANK

On September 29, 1982, I announced our proposal for the New Jersey Infrastructure Bank, as a solution to the dilemma posed by this funding gap. The Bank is the State's plan for

meeting capital needs and represents a major shift in the way New Jersey addresses its capital financing problems. We believe the New Jersey plan is the first initiative of its kind by a state in response to the continuing reductions in Federal funds for certain infrastructure programs and it is already the first which makes a realistic long term commitment to infrastructure.

There were several major objectives in the development of the Bank. The first was to find an effective means of leveraging public financial resources to meet a greater share of the State's infrastructure needs than was possible under existing programs. Related to this was the need to provide the State with a continuing, reliable source of funds for the long term for infrastructure investment. At the same time, it was essential to create a financing vehicle which minimized the local impact of changes in State funding procedures and of cutbacks in Federal funding. A final objective was to decrease the State's reliance on issuance of general obligation debt to finance capital expenditures, by using funds raised in this manner more efficiently. Consistent with this goal was the recognized importance of retaining New Jersey's triple-A bond rating.

The Infrastructure Bank proposal is the result of work begun in early 1982 by state officials in the Departments of Environmental Protection, Treasury and Transportation, and by financial experts in the firms of Bear, Stearns and Company, and Merrill Lynch White Weld Capital Markets Group. The Bank represents a comprehensive effort to tap all available funding sources to make a changing situation

work to the advantage of its communities. It will not instantly solve all of New Jersey's infrastructure problems, but it will maximize the use of existing resources in addressing these needs more rapidly than in the past through a coordinated, long range planning, development and financing process.

OPERATION OF THE NJIB

The Bank would be a non-profit institution which would function solely as a financing vehicle for infrastructure programs. It would be intended to function in this capacity for the indefinite future.

Let me briefly describe the funding sources for the Bank, and how the Bank would function using these funds.

The Bank would be capitalized from three sources. First would be the proceeds of State General Obligation Bonds authorized for wastewater, water supply, resource recovery, transportation and other purposes, which would be appropriated to the Bank. Debt service on these bonds would be paid by the State General Fund. Second, Federal grant funds would be contributed to the Bank, such as those for wastewater treatment. Other Federal funds in the form of equity infusions to the State banks would be extremely valuable. Third, the Bank could receive appropriations of specific state revenues.

There are three basic ways in which the Bank would function to leverage the capital resources it receives. Primarily, the Bank would operate revolving loan funds to finance specific types of projects. Funds would be deposited

in special loan accounts within the Bank dedicated to the program purpose for which the general obligation bonds, Federal grants or revenue appropriations were authorized. Funds would be lent to local governmental units at low or no interest for some share of the cost of projects. Loan repayments to these special accounts would maintain the equity capital of the Bank and provide a source of funds for subsequent loans. Any interest earned on loans or on temporary investments by the Bank would result in growth in the Bank's capital.

The Bank also would serve as the statewide financing vehicle for the local share of project costs. At the request of a community, the Bank could issue bonds through the public debt market on behalf of the community for that share of the project cost not covered by a loan. The Bank could pool borrowing requirements of localities to create Bank bond issues of sufficient size to result in savings in financing and issuance costs unavailable to those communities. The savings available by borrowing through the Bank are especially significant given the Federal requirement that all municipal bonds be issued in registered form as of July 1, 1983.

Finally the Bank would function as the vehicle through which the State itself could issue revenue backed bonds for various infrastructure purposes. This would be possible where a new or existing source of revenues was dedicated to the Bank to meet debt service requirements, thereby enabling

the Bank to raise capital for particular needs of the State.

SECURITY MECHANISMS

We have prepared a comprehensive set of security mechanisms to insure that: 1) the Bank's capital is retained through the repayment of equity loans; and 2) that debt service on local share bonds is paid in a timely manner, thereby protecting bond holders and local credit ratings. These procedures obviously are central to our financing goals.

Loans or bonds would be secured in five ways:

(a) Rate convenants pledging that the local unit will charge/levy sufficient fees/taxes so that all operating and debt service expenses can be met.

(b) Pre-funding of loan repayments or debt service through payment of local unit revenues into a fund held by a Trustee.

(c) Reserve funds held by the Trustee equal to maximum annual principal and interest on equity loans or project bonds.

(d) Deficiency agreements to insure that reserve funds are replenished if tapped to make a loan repayment or debt service payment.

(e) An intercept of State aid if a deficiency agreement obligation is not fulfilled.

LEGISLATION AND LEGAL STRUCTURE

In October, enabling legislation for the Bank was

introduced in both Houses of the New Jersey Legislature and was referred to the two State Government Committees for consideration. This legislation creates the Bank, establishes its administrative procedures, and defines its powers and functions. Hearings on the bill have been scheduled in February and we are optimistic that bipartisan legislation will be enacted this winter.

Additional legislation is necessary at the State level for the Bank to be able to function fully. Next fall the New Jersey voters will be asked to pass a referendum allowing loans made from State bond funds to be repaid to the Bank. Under existing law such loans are repaid to the General Fund, which obviously would deplete the Bank's capital.

Federal legislation is required to make Federal grant funds available to the Bank. An amendment to the Clean Water Act has been drafted which would provide states the necessary flexibility to make loans instead of grants with their annual funding allocations. Projects should be allowed to proceed in anticipation of receipt of loans, since the establishment of a revolving loan fund guarantees the long term obligation of the State to fund projects.

In addition, we are hopeful that any new Federal infrastructure/public works legislation would include provisions to capitalize state institutions like the New Jersey Infrastructure Bank. Existing grant funds could be channeled to these institutions, as well as newly authorized expenditures for infrastructure. This strategy would insure maximum use of public resources and guarantee the long term capability of states to finance infrastructure construction and rehabilitation.

ADMINISTRATION

The Bank would be located in the Executive Branch of the New Jersey Government, within the Department of the Treasury. It would be administered by a nine member Board of Directors, as follows: the State Treasurer, the Commissioners of the Departments of Environmental Protection and Transportation, and the Chairman of the Capital Planning and Budgeting Commission, who are ex-officio members; one person appointed by the Governor upon recommendation of the President of the Senate and one person appointed by the Governor upon recommendation of the Speaker of the General Assembly; and three directors appointed by the Governor with the advice and consent of the Senate.

The directors would have general responsibility for the functioning of the Bank. They would establish credit policy, approve each equity loan and debt financing and the terms of each transaction. The directors would appoint an executive director who would be responsible for the day-to-day operations of the bank, and for supervising a small staff of three or four full time professionals.

The Bank would have the ability to fix and collect administrative fees or charges for its services, although this power probably would be unnecessary. Instead the operation and administration of the Bank would be covered by interest earnings generated by equity fund balances held by the Bank.

SUMMARIES OF PROGRAM OPERATIONS

With the exception of transportation, the Bank's programs would be based on the operation of revolving loan funds.

Wastewater Treatment. For sewer construction a revolving loan fund would be established in the Bank to make low or no interest loans instead of grants, for some share of project costs. A sophisticated model has been developed to determine the effectiveness of the loan fund in meeting the State's total need for sewer construction given a certain set of assumptions, and the effect on user fees, using that some set of assumptions, for any community. The goal in the modelling effort was to determine how to reach the greatest number of projects in a given period of time while minimizing user fee increases.

A base case for the sewer construction revolving loan fund was derived using the model. A minimum of $600 million in Federal grant funds would be deposited into the fund in annual increments following Congressional appropriations. Because six years of federal appropriations would be required, the existing authorization for the program in the Clean Water Act would have to be extended up to four years, depending on when the State could begin making loans instead of grants. In addition to Federal funds, the State would contribute 8% of the total $2.4 billion need, or $192 million, to the fund over the same six year period. These two funding sources would capitalize the loan fund with $792 million.

Using this capital, low or no interest loans would be made for 63% of the project costs, with a fifteen year repayment period. Over a ten year period, $1.2 billion in loans could be made which together with the local share

would lead to construction on $1.9 billion in projects. Under this scenario user fees would increase over what a community would pay if it received 63% grant for project construction. However, over 200 of the 237 projects on the sewer priority list cannot expect to receive a grant. For these communities a bank loan would cut user fees in half or more compared to the costs of financing projects with 100% local debt.

The existing Federal sewer construction program would have to be continued for at least 15 years at existing levels to construct all the eligible projects in New Jersey. The Federal exposure in our state alone could be some $2.0 billion when the effects of inflation on project costs are taken into account. At the end of the funding period, no money would be available for additional work.

Under the Bank, a minimum of six years of Federal appropriations, or $600 million, would be required to meet all the clean water needs in 10 years. Construction could begin on every eligible peroject in that period, thereby reducing increased project costs due to inflation. When loans were repaid, at least $800 million would be available for future funding. The very nature of the loan program would encourage development of the most cost effective projects possible to meet discharge requirements, resulting in additional efficiencies in project funding.

If additional Federal appropriations were received, our needs could be met even more rapidly, at less cost to users, with a larger pool of funds accumulated for future funding.

If the Federal program is not extended, maximum use of existing grant funds in a loan program becomes even more critical, since it guarantees all projects will be reached eventually.

Water Supply. As for the sewer construction program, a revolving loan fund would be established in the Bank for water supply. This fund would be capitalized with $65 million in State general obligation bond proceeds for local rehabilitation of water supply systems authorized for use as loans in the 1981 Water Supply Bond Act. A program already has been developed to administer these loans, which are being made at interest rates of slightly below market rate and with very favorable repayment schedules compared to those which would be available from banks or public revenue bonds.

This water supply loan program would be transferred to the Bank for administration. Over ten years the $65 million could be leveraged to produce about $90 million in water supply loans. The Bank's ability to combine external borrowings with equity loans would enhance the cost of capital for water systems. If Federal funds became available for water supply, as for wastewater, significant leverage could be achieved in expenditure of these funds through a revolving program in the Bank.

Resource Recovery. For resource recovery it is also our intention to establish a revolving loan program in the Bank, capitalized with $50 million in general obligation bond proceeds.

The $50 million in State equity would be used to make no interest loans to Counties with repayment schedule of

15 years. Over the ten years the $50 million in state equity could be leveraged to produce approximately $80 million in loans.

The receipt of an NJIB loan by an entity constructing a resource recovery facility would result in substantial benefits. The loan would reduce the amount of bonds to be issued to finance the project, which in turn would reduce the debt service burden to be borne by the users. For each $1 loan issued by the Bank, $1.70 fewer bonds must be issued because of reduced need to capitalize interest during construction, to fund a debt service reserve, and to pay issuance costs.

Transportation

The Bank's transportation program would not operate on a revolving loan basis, primarily because continued funding for the Federal Highway Trust Fund is assured over the long term. Nonetheless, our state has need of a special program to guarantee stable funding for the state share of transportation costs. A significant portion of this need consists of providing the state match for federal highway and transit appropriations.

The Bank would provide stable capital funding principally by issuing revenue bonds based on revenues earmarked or dedicated to the Bank for that purpose. For example, 2¢ of the state's existing gas tax and $40-$60 million in additional transportation revenues could make up the initial source of funds. Ten year revenue bonds based on these revenues would

generate about $200 million annually for five years for transportation. To maintain a perpetual program, an additional source of revenues would be required after five years.

Funds generated in this manner by the Bank would assure us of a guaranteed state match of about $130 million annually for federal highway and transit funds. This amount is adequate to meet the increased state allocation that resulted from the new federal gas tax. It also would assure us of a predictable level of funding so that long term projects could be initiated and advanced on a guaranteed basis. In addition, we would generate some $70 million to be used for 100 percent state funded highway projects and for a major state-local aid program. These programs would represent a major break-through in transportation policy in New Jersey.

CONCLUSION

I have just a few concluding remarks. We believe that the New Jersey Infrastructure Bank is a potential national prototype for states seeking solutions to the critical problem of construction and repair of infrastructure. It is a thorough and sophisticated proposal to deal with a problem common to all states and regions of the country. Through

this Bank, New Jersey can provide to its citizens the basic underpinnings to economic growth and environmental improvement.

The Bank represents a feasible and workable alternative to programs of the past. It allows New Jersey some measure of freedom from the current uncertainties of Federal funding, while maximizing the use of any Federal funds which are received. Although the Bank's effectiveness is directly enhanced by additional Federal contributions, its success is not wholly contingent on massive Federal subsidies. Our state will make use of any Federal capital contributions over the long term, and thus, over time, reduce the demand on the Federal government for expenditures on infrastructure programs. By combining all our resources in the Bank and managing our funds more realistically than in the past, we can insure a stable, continuing and growing source of funds to meet the demands for an adequate infrastructure and a clean environment.

Pressure on our state government to fund capital needs through issuance of general obligation debt will be greatly reduced by the Bank. This will not only help to maintain the State's triple-A credit rating, but will be reflected in the credit ratings of our local governments.

Local governments will receive financial assistance from the Bank where otherwise they would be left largely unequipped to deal with enormous financial needs. This kind of security will be unique in the history of capital needs programs in New Jersey, which generally have suffered from a

crisis management approach. Further, costs to individual users of local facilities will be minimized by the Bank's programs.

The investment in public facilities which will result from the Bank is expected to have a significant effect on job creation in our State. We estimate that the sewer program alone will result in 50,000 jobs over the next ten years. The economic growth which is tied so closely to an adequate infrastructure obviously results in an expanding job market beyond the initial opportunities for employment.

The problem of infrastructure financing has become a national issue in recent months. New Jersey has taken a first step in proposing a solution to the problem. The solution draws upon all levels of government, and is expected to facilitate investment by the private sector. I believe this comprehensive approach is essential if we as a nation are to move forward in the decades ahead. It is a realistic solution to a very real set of problems.

U. S. SENATOR ARLEN SPECTER

COMMITTEE STATEMENT

THE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

HEARINGS ON INFRASTRUCTURE AND JOBS

February 3, 1983

Mr. Chairman:

I would like to commend Chairman Stafford and the Committee for initiati., these hearings on two of the most critical issues facing this nation today - jobs and the deterioration of the infrastructure. Today's session can not only help determine what are the specific needs for infrastructural improvements but also the manner in which these programs can be most effectively executed.

Essential to the question of how we can create specific job opportunities is where they are most needed. We must focus on those areas which show the greatest need for infrastructure improvement. Added to this equation must be the unemployment factor; areas experiencing severe labor surpluses should receive greater consideration for project allocations. Furthermore, any public works program should be developed with the recognition of creating permanent job opportunities.

There has been a growing concern that our Nation's infrastructure is in serious decay. Recent estimates indicate that we may be as much as $3 trillion behind in meeting these needs. In older regions of this Country, highways and bridges are being closed daily while once productive ports stand idle in disrepair.

The maintenance of our highways, roads, bridges, mass transit, water resources and sewer systems are vital to this Country's economic welfare. Notwithstanding the recently passed Surface Transportation Act, which constitutes a positive first-step toward infrastructure repair, an immediate, comprehensive, and coordinated effort is necessary. The cost of disregarding these deteriorating structures is great as it may impede the economic recovery we have attempted to spur. Infrastructure deterioration inhibits growth because much of its costs must be borne by private industry. For example, in Pittsburgh, Pennsylvania, US Steel estimates that it is paying more than $1 million a year to detour its trucks 26 miles around a major bridge that the State closed two years ago for repair.

Since this Nation is presently saddled with the dual problem of record-high unemployment and a rapidly decaying infrastructure, I believe it is correct, at this time, to move forward with a public works program. In this way, the Congress can initiate a positive effort that combines jobs with essential infrastructure improvements.

I urge the Committee to include in this package certain measures which would contribute to its overall effectiveness. Three of these bills would authorize flood control projects in Pennsylvania. These are for Wyoming Valley in Luzerne County, Harrisburg, and Lock Haven. All of these projects

are on the Susquehanna River which flooded as a result of Tropical Storm Agnes and Hurricane Eloise. The storm's widespread flooding devastated communities of Wilkes-Barre, Harrisburg, and Lock Haven. Tropical Storm Agnes toppled the existing levee system by four to five feet and caused close to $1 billion worth of damages in Harrisburg alone. These three flood control projects, already approved by the Army Corps of Engineers, will employ hundreds of workers from their respective communities as new flood protection systems, consisting of levees, flood walls, interior drainage works and highway and railroad closure structures, are installed. I am also developing legislation for a badly needed flood control project in Milton, Pennsylvania. In addition, the Francis E. Walter project and the Prompton Project of the Poconos would also enhance this public works program. I urge the Committee to include these projects in its package as well.

Another important waterways measure that I have introduced is a bill to authorize the construction of a system of breakwaters along the length of Presque Isle Peninsula on Lake Erie in northwest Pennsylvania. This action would eliminate the annual costly sand replenishment procedures that maintain the State park facilities there. The Corps of Engineer's recommended plan would protect and stabilize the beach of this popular recreational area which is visited by over four million persons each year.

Also included as a part of this package should be critical inland navigation improvement projects on the Monongahela and Upper Ohio River Waterways. Specifically, there should be modernization of locks seven and eight on the Monongahela River and the rehabilitation of the Gallipolis Dam on the Ohio River. These programs were also recommended for authorization by the Army Corps of Engineers.

Improving these deteriorating lock and dam structures would contribute significantly to the economic welfare of the four-state region. The Gallipolis River, for example, is not only a major transportation artery for the area's abundant coal resources, but also a vital resource for moving steel, chemicals, petroleum, grain and many other raw materials. Because this antiquated dam does not conform to modern size specifications, carriers must use multiple-locking barges that require costly time delays.

Finally, I urge this Committee to work with committees such as Banking, Commerce, and Finance, to also include in this package funding for other critical programs such as public housing modernization, community development projects, urban and rural enterprise zones, and airport and railroad development.

The legislation which I have discussed today can contribute to a sound public works program. Pennsylvania is now experiencing prolonged hardship as a result of the current recession which is caused in part by its declining infrastructure. I am hopeful that

the Senate will pass public works legislation that will abate the deterioration of our infrastructure and assist the many who are unemployed in Pennsylvania and throughout the Nation.

Testimony for the U.S. Senate Committee

on Environment and Public Works

February 3, 1983

Richard P. Nathan
Princeton University

Creating Jobs and Fixing Up the Infrastructure in Hard Times

One of my favorite characters in Dickens, Louisa in Hard Times, was something of a labor economist. She had studied economics, but had never visited the industrial heart of Coketown where she lived. When she finally met some of the toilers, she ruminated as follows about the relationship between what today we call the "aggregates" and the lives of "the component drops." Referring to the labor supply of Coketown in those hard times, Louisa saw it as

> something to be infallibly settled by laws of supply and demand; something that blundered against those laws and floundered into difficulty; something that was a little pinched when wheat was dear and over-ate itself when wheat was cheap; something that increased at such a rate of percentage... This she knew the Coketown Hands to be. But she had scarcely thought more of separating them into units than of separating the sea itself into its component drops.[1]

It is the role and fate of experts to generalize. I am no different from the rest of the breed, and will do so today in my testimony. But it is a good reminder for this introduction to make the point, similar to Dickens's, that the people affected by the current high rates of unemployment in the United States have intense human problems, needs, and disappointments.

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[1] Charles Dickens, Hard Times, Signet Classic edition, p. 160.

As an expert on human resources issues and programs, I have spent the past ten years involved in the conduct of studies and the management of demonstration projects that, I believe, provide important insights for the current congressional debate on jobs and public works legislation. The aim of this statement is to synthesis the lesson of this experience -- both program histories and evaluation studies -- in a way that will be helpful to the Committee. I emphasize the following five points:

1. The problem right now in these hard times is that there aren't enough jobs to go around. We can do what we want to give priority to displaced workers from declining industries, welfare recipients whom we want to move off the rolls, problem youth, other new entrants to the labor force, women, the newly unemployed. But the fact remains that unless we create jobs, there are not enough jobs at present to go around. Two alternatives are presented: We can wait for the economy to rebound and increase the demand for labor, or we can create jobs.
2. Job creation can work. We are doing it now under the Reagan administration's "workfare" program authorized in the historic 1981 Omnibus Budget Reconciliation Act, but very few people know about it. In point of fact, many people on welfare are being required to accept "jobs" under "workfare" programs that are precisely the same jobs that similar people (even the same people) had under the CETA jobs program. The more things change, the more they stay the same! It is important that this Committee review past programs, and, in the case of "workfare," study some current ones. The CETA public service employment program (PSE)

at its peak provided nearly 800,000 jobs for the hard-to-employ. It did so, as I discuss below, in a quite effective manner.

3. The CETA-PSE program came a cropper in 1978; the essential reason for this was an act of Congress. The act sought to impose "made-in-Washington" values on state and local governments that ended in destroying the CETA jobs program. I explain this in my testimony.

4. Current federal policy for employment and training has swung away from job creation and now stresses training. The Job Training Partnership Act passed last year stresses private-sector job training. Most experts think this program will not be targeted on the underclass, but instead will end up "creaming," providing jobs for relatively well qualified people. This may happen but there is also a strong possibility that the "morning line" on JTPA will be wrong. The act, with almost religious fervor, resists subsidies (called training allowances) for participants. The results, as for many federal policies, could be unanticipated. It could turn out that the group most able to participate in unpaid training consists in large measure of very poor people who have welfare income but are not working.

5. The idea that useful work can be performed in the public sector by workers who need work -- killing two birds with one stone -- is not a simple idea. This is especially so if one is talking about repairing the crumbling an infrastructure. The process of organizing and supervising work sites and providing materials is not just a detail. It takes time and it costs money.

These five points are developed further in the remainder of this testimony, which is divided into two parts -- on the CETA job creation program and on workfare.

CETA Job Creation

In October, the sullied acronym "CETA" will go into the record books to be replaced by JTPA. The National Council of Employment Policy recently held a panel on the start-up of JTPA chaired by Marion Pines, manpower director in Baltimore. It was made very clear to us that manpower agencies are in turmoil throughout the nation. Just when the CETA system was beginning to get institutionalized and routinized, we have jumbled it all up again. This situation is part of what the Congress must face in considering jobs legislation this year.

The CETA jobs program ended in 1981. It dropped off a cliff like a boulder; lots of working poor people were hurt in the process.

I said earlier that the CETA jobs program worked well at the outset. I base this statement on research conducted at The Brookings Institution and Princeton University. This was a field network evaluation study in 25 states; the sample accounted for 10 percent of all CETA jobs. The study was based on the detailed examination of program and budget data and the uniform analysis of this data by 35 field researchers, all of whom are academic economists and political scientists. We did four sets of field observations -- two in 1977 when the CETA job program was gearing up (it peaked in April 1978), one at the end of 1979, and one at the end of 1980.[2]

[2] For a description of this research and the main findings, see Richard P. Nathan, Robert F. Cook, V. Lane Rawlins, and Associates, Public

One of the most important lessons we learned from this research is a federalism lesson. A grant-in-aid program, like CETA, where the Federal Government appropriates funds to have local governments do something, is essentially a two-dimensional policy bargain. It is a bargain horizontally at the Washington level among competing groups that have different interests, such as aiding the poor, industry, cities, taxpayers, whatever. It is also a vertical policy bargain between the Federal Government and cities (and other local sponsors), whereby local governments are paid to do something -- in this case, create jobs -- that Washington wants them to do.

In the beginning of the CETA jobs program in 1977, we found this two-dimensional bargain to be a workable one. The horizontal dimension stressed job creation and targeting on the poor in about equal proportions. The vertical bargain -- that between Washington and the local sponsors (cities and counties) -- was also a workable one. The Feds got job creation. Cities and counties got money they could use for extra jobs that they could use unemployed local workers to perform. Both sides were reasonably happy. The program start-up went rapidly and smoothly.

The big issue in 1977 in Washington, as it turned out, was substitution. That is, would local governments siphon off this money to pay workers they already had on their payroll, or that they would have hired anyway. Our reseach group did a detailed local analysis on this issue, based on program and budget data, and found that the substitution rate was what most people considered rather low -- 23 percent in 1977,

Service Employment: A Field Evaluation (Washington, D.C.: The Brookings Institution, 1981).

falling to 15 percent in 1980. Substitution (or what we called displacement in this study) was, as one would have expected, highest in the large distressed cities facing the most severe budgetary pressures.

The best way to show the types of work people did under the CETA job creation program is to quote a passage from a report we did on this study.

What Services Are Provided?

The most direct way to assess the kinds of services provided is to look at what participants are doing, and one of the best means to do this is to examine how participants are distributed among different types of services. The field associates found PSE participants in almost all kinds of government departments and agencies as well as in hundreds of nonprofit organizations. Within local governments the distribution of PSE participants across service types is quite similar to the distribution of all jobs in services regularly provided by those governments.

The following series of excerpts from the reports of associates indicates the variety of services that are provided.

> In the early days of PSE the positions were deployed to stabilize primary services (i.e., public works, parks, real property) but the new project money is being used for more social services. Child care, drug treatment, and elderly care are representative of this branching out into variable services.
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> Some educational services would be cut back without PSE. In the school district we find teachers, teachers' aides, and clerical workers in PSE slots. At the community college, PSE participants run special programs in drama, music, and vocational training. At the university, many PSE participants are research aides or clerical workers.
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> * * *
>
> Brush clearing, park and recreation area improvement, record keeping, library services, and social services

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requiring extensive client contact have all been visibly improved by local PSE employment.

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Two PSE projects have served as successful pilots which may lead to regional programs. One is a cancer screening and education program. Eleven other municipalities have shown an interest in sharing in this project. Some qualified personnel have been trained through this project.

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PSE has been a stimulus for the creation of many nonprofit organizations in the county which now provide residents with a migrant health center, homemaker services, crisis intervention centers, and numerous other cultural and social service programs. (Public Service Employment, 1981, pp. 58-59)

Based on our study, which covered approximately 10,000 CETA jobs, we found the distribution of jobs by function to be as shown in the accompanying table.

The important point about the CETA job creation program is that the vertical policy bargain between the Federal Government and local governments came a cropper in 1978. The reason is that Congress decided to target the program much more tightly on the most disadvantaged workers, yet did not provide any additional money (beyond the limited previous funds) for administering the program. Local governments balked. They could not get as much service. The costs of running a CETA job program were raised. They did what comes naturally. They kept the money, but assigned a larger proportion of the CETA positions to less desirable and useful jobs and to nonprofit agencies in the community. Nonprofit organizations that received these funds, most in the social-service field, were glad to have the workers. But, unfortunately, the jobs they provided did not have as much training and

Percentage Distribution of Public Service Employment Participants, Sample Jurisdictions, by Functional Area and Class of Jurisdiction, July and December 1977

Functional area	Distressed large cities		Other large cities		Small cities and suburban counties		Rural areas	
	July	December	July	December	July	December	July	December
Primary services	56	44	47	37	30	49	40	54
Protective services	17	10	12	5	8	8	9	24
Public works	29	11	11	16	12	17	17	16
Utilities and sanitation	3	14	11	9	4	10	3	3
General administration	7	9	13	7	6	15	11	11
Social and cultural services	18	26	19	32	29	25	20	21
Social services	13	15	11	22	26	16	13	15
Health	4	8	4	4	1	8	4	5
Culture and arts	1	3	4	6	2	1	3	1
Parks and recreation	15	17	14	8	12	11	4	14
Education	8	8	10	19	16	14	19	12
Miscellaneous	3	5	8	5	14	2	19	...

Source: Field data reported by Brookings field associates.

transition potential as the city and county jobs to which CETA workers had been originally assigned. Our final report on the CETA jobs program, states

> Between December 1977 and December 1980, the local governments in our sample became increasingly less likely to assign PSE participants to their own agencies and more likely to assign them to nonprofit agencies. In 1977 about half of all PSE workers had jobs in agencies of the local government that administered the program; by 1980 that proportion had dropped to about four workers out of ten. At the same time, the nonprofit agencies' share of PSE workers rose from one-quarter to one-third; the proportions for other types of agencies showed little change.[3]

The end result of the 1978 amendments was that when retrenchment came to Washington,[4] the CETA jobs program was an easy target. City and county officials were not terribly interested in saving it. They had other and, to them, more important fish to fry. Nonprofit social-service organizations had a big stake in saving the CETA job creation program, but they lacked the clout to save a $6-$7 billion program.

My guess is that CETA jobs would have been on the budget guillotine no matter who had won the 1980 presidential election. We are studying the demise of this program as part of an ongoing study we are conducting of the effects in 54 state and local governments of the Reagan domestic budget cuts and related policy changes.[5] Our analysis shows that the

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[3] Robert F. Cook, Susan A. MacManus, V. Lane Rawlins, and Associates, "Public Service Employment in Fiscal 1981," Princeton Urban and Regional Research Center, Princeton University, September 1982 (unpublished), p. 9. This report will be published as part of a book by the W.E. Upjohn Institute (in process).

[4] See article submitted for the record: Richard P. Nathan, "Retrenchment Comes to Washington," Society, vol. 20, no. 2 (January/February 1983), pp. 45-48.

[5] See John W. Ellwood, ed., Reductions in U.S. Domestic Spending: How They Affect State and Local Governments (New Brunswick, N.J.: Transaction Books, 1982).

CETA jobs program disappeared from the grants scene with hardly a whimper.

What are the lessons of this experience for the future? I'd highlight two:

One: Public service job creation can work -- that is, jobs can be set up rather quickly and with limited substitution. Cities and counties don't take this money in huge gobs into their own budgets for the very practical reason that they don't want to get caught having to raise taxes when the Feds, as surely they will, radically change the rules or cut off their water.

Two: It is necessary to strike a reasonable bargain with state and local governments in which they will get something -- useful work by useful workers -- out of the program. If it is desired to target on very disadvantaged workers (surely a worthy purpose), then there must be an extra incentive to compensate for the needed preparation and supervision involved in hiring these workers.

This second lesson leads into another program area that is little understood but very important now -- workfare. Under workfare, many cities and counties are employing welfare recipients. We need to consider the incentives for them to do so and the way this is being done.

Workfare

In the historic Omnibus Budget Reconciliation Act of 1981, three interlocked provisions were adopted to have states set up workfare programs -- that is, programs where able-bodied welfare recipients work for their benefits.[6] Every state is required to set up at least one project under these new provisions. Much exciting -- perhaps revolutionary -- program development is taking place under this authority.

The Manpower Demonstration Research Corporation (MDRC), headquartered in New York, is systematically testing new program approaches under this authority to see what happens. The Corporation currently has tests of workfare underway in San Diego County, Maryland, and West Virginia, and plans to set up similar tests -- with a randomly assigned control group in most cases -- in seven to ten states. Some 4,000 people are registered in this program in San Diego County, either in the workfare component, in an intensive job-search component, or in a control group.

Two essential premises of MDRC's activities are: (1) that the government has in the past adopted bold new programs without an adequate knowledge base about how they will work; and (2) that large-scale, well-designed social science demonstration studies can provide such a knowledge base. This time around, the Manpower Demonstration Research Corporation -- which conducted a similar demonstration called supported work that proved very successful for long-term welfare mothers -- will know what happened when something new was done. Too many grand-design, bold programs have been killed off by anecdotes, because no one knew

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[6] See Ellwood, pp. 329-330.

systematically whether they worked or not and what their effects were. There is a role for good social science research. This is an example of what it should be.

Although the MDRC work/welfare demonstration is in the early stages, as a participant in the conduct of this demonstration, I would be happy to provide the Committee with additional information or to arrange for special briefing materials to be provided.

The essential lesson of this demonstration, as well as of other MDRC demonstrations, is that it takes intensive, well-structured efforts to reach the most disadvantaged -- or underclass -- groups in our society. This is the same lesson we learned in the study discussed above of the CETA job creation program. My personal view is that job creation programs should include both the structurally unemployed (the hard-core disadvantaged or underclass groups) and also more skilled and better educated unemployed workers who are used to regular participation in the labor force. These tradeoffs have to be explicit and well understood. The lessons of experience and research can help us to build a better mousetrap.

Richard P. Nathan

1. What suggestion would you have to reshape the overall Federal public works program -- dams, highways, sewage treatment, public buildings, etc. -- to achieve more without any increase in Federal outlays?

As discussed at the hearing, I think Governor Kean's approach is a good one -- namely to seek inventive ways to support state infrastructure banks through federal actions that provide assured long-term funding. The cost of such a program would be minimal.

2. To what degree are local priorities dictated by the availability of Federal dollars? How can that be overcome?

This, too, is an issue that was discussed, namely decentralization. We have been moving more and more towards revenue sharing and block grants. The idea of state infrastructure banks, supported in part by an assured flow of federal aid, is very much in line with the movement toward a "New Federalism."

3. How can the Federal government establish priorities in public works spending?

As indicated in the answers to questions 1 and 2, I am not sure that this is something the federal government should do. It would be hard to do. We pay a lot of attention to local control and decision making in deciding priorities for public works spending. I think that's right.

4. How can a public works job program reach out effectively to unemployed steelworkers, unemployed autoworkers, low-income youths, unemployed women?

We have to make choices. There is experience that can help us to identify ways to aid particular groups. Skill and eligibility requirements, duration, type of work -- all are characteristics of a job creation program that

provides insights which can be used to set up programs in a way that will aid selected target groups. But the more we give priority to any one group (e.g. unemployed auto and steel workers) the more likely we are to reduce the amount of aid provided to other groups (e.g. welfare mothers and problem youth.)

5. What kind of jobs program will reach the unemployed in the most effective way? What programs, in your judgment, have worked and why? Which programs have failed and why?

This is a huge question. The CETA jobs program, as I said in my prepared testimony, seemed to me to be a workable policy bargain prior to 1978. It reflected a sensible balance of national and local objectives -- sensible in terms of the program's effectiveness and management efficiency. After 1978, the CETA jobs program was much less effective.

I don't think the 1977 LPW program was very effective in reaching large numbers of the unemployed on a cost-effective basis.

The best experience to look at, I believe, is the CETA public service jobs program and the "workfare" projects mentioned in my testimony. See, for example, Richard P. Nathan, Robert F. Cook, V. Lane Rawlins, and Associates, Public Service Employment, A Field Evaluation, Brookings, 1981. Information about "workfare" can be obtained from Barbara Blum, President, Manpower Demonstration Research Corporation, 3 Park Avenue, New York, NY 10016.

6. It is generally agreed that we will see high rates of unemployment through the next two to four years, even with an improving economy. What would be the most rapid means to put those currently low-skilled, low rate unemployed workers (who may be bypassed by the economic recovery) back to work and off the unemployment rolls?

This is difficult now that the CETA program has been so markedly changed and cut. The new JTPA program has a delivery system that emphasizes training. It could be used as the vehicle for a large job creation program for the unemployed, though the Department of Labor apparently does not want to do this.

An alternative would be to use the community development block grant program (CDBG) as a vehicle for setting up local public jobs programs. These funds are targeted on distressed communities. An administrative system exists to run projects in this field. The CDBG program has one advantage from a public works perspective. Most of its projects involve capital spending, primarily for short-term purposes, mainly housing rehabilitation, street repairs, and park maintenance.

7. How likely is it that public service employment jobs will serve as stepping stones to unsubsidized employment? What improvements might be made to re-energize this program?

As I discussed at the hearing, the likelihood for transition from public service jobs to regular jobs, unfortunately, is lowest in areas of high unemployment. This is a dilemma. The best transition opportunities occur when workers are employed in regular tasks by regular agencies. Workers who have good skills and high motivation can be easily identified and hired on a full-time basis as regular jobs become available.

8. Some seven million women are the heads of families today. The unemployment rate for female heads of households is 12%. What efforts could be made to traget women (and other groups of high unemployment) in a federal jobs creation program?

See the discussion earlier of "workfare." This effort now underway will teach us a great deal about the potential for providing jobs as an alternative to welfare for AFDC family heads.

TESTIMONY OF
GEORGE E. PETERSON
DIRECTOR, PUBLIC FINANCE
THE URBAN INSTITUTE

My name is George E. Peterson. I am Director of the Public Finance Center of The Urban Institute. I am pleased to have this opportunity to testify before the Committee on Environment and Public Works.

I. INFRASTRUCTURE POLICY

For the past six years our organization has conducted studies of the condition of public facilities in the United States and of the investment backlogs the country faces. We have carried out our own analyses for individual cities. We have worked with local governments and the local business sector as these groups design regional capital investments and financing strategies. We have completed a comparative study of 62 cities, measuring the current condition of public works, current levels of capital performance, and recent trends in performance. We have cooperated with state governments in designing surveys of statewide capital needs.

One fact stands out from this work. That is the variability of capital stock conditions and the locally specific nature of capital investment priorities.

There is striking difference in the types of investments that now have the most urgent claims on city or state budgets. For the City of Cleveland, the first priority is reinvestment in the region's water distribution system. A few years ago that system had deteriorated so badly that a local judge ordered the city to surrender ownership of the water system, on the grounds that its neglect of maintenance was wasting an asset vital to the entire region. As part of the settlement of that case, the City has agreed to invest some $800 million in water system improvements, all to be funded from local revenues.

There is no doubt that preservation of the water system is Cleveland's most urgent priority. Other cities, however, and even cities with old distribution networks, have managed to upgrade their facilities in recent years, cutting down on water loss. I believe this Committee heard testimony from the Mayor of Seattle that further water system investment was not an urgent priority there.

Or consider mass transit facilities. Some cities, like New York City and Philadelphia, have been afflicted with an almost catastrophic deterioration of transit performance, caused by years of postponement of repairs and replacement. These cities quite properly have designated transit improvement as their number one priority. New York City alone has laid out a capital plan that will cost some $11 billion to carry out. But there is not a general acceleration of breakdown rates in cities' rail or bus systems. As many systems have improved their performance as have seen performance deteriorate. Federal infrastructure aid should be designed in a way that permits it to be used for transit repair where that is the local priority, but does not restrict assistance to such investment where there are other priorities.

In Pittsburgh, the city's bridges have become its most urgent investment need. In many other cities, airport or shipping port improvements hold the key to economic development.

A similar variability exists in the current conditions of capital facilities. Table 1 offers just one illustration of how greatly different are current performance levels. Not only are the rates of unaccounted-for water different, but even the significance of leakage differs greatly from one city to the next. In a city where water can be drawn cheaply and

Table 1

UNACCOUNTED-FOR WATER
n = 50 mean = 14.7%

	Percent Unaccounted-For Water (1980)	
Albany	40	
Boston	39	
Union City	36	*
Philadelphia	35	
Meriden	30	
Cicero	25	
Washington	25	
Houston	24	
Seattle	24	
Worcester	24	
Cleveland	23	+
Kansas City	21	
Buffalo	20	
Rochester	20	
Shreveport	20	
Greenville	19	
Louisville	17	
Portland	17	
Bloomington	16	
Tulsa	16	
Baltimore	15	
Detroit	15	+
St. Louis	15	
Lexington	13	
Minneapolis	12	
Wilmington	12	
Eugene	11	
Newark	11	
Charlotte	10	
Pittsburgh	10	
Pontiac	10	
Oakland	9	
San Diego	9	
San Jose	9	
Green Bay	8	
New Orleans	8	
Billings	7	
Dallas	7	
Independence	7	
Sioux Falls	7	
Denver	6	
Lincoln	6	
Milwaukee	6	
Everett	5	
Garland	5	
Tucson	5	
Arvada	3	
Garden Grove	3	
Iowa City	2	
Ogden	1	

+ Figures reported for 1979.
* Reported for Durham Pumping District, roughly three times the size of Union City.
Source: Interviews with water system officials, 1982.

inexhaustibly from a nearby lake, it does not make sense to push repairs in the distribution system to the same point, or incur the same expense, that good management dictates in an area of water scarcity. Investment dollars at the margin can be better targeted for other purposes.

The fundamental character of infrastructure priorities also differs from one location to another. Some cities and some states face the need for one-time catch-up investment. They must make good on decades of underinvestment. Other cities and other states have avoided serious disinvestment. Their challenge is to establish regular repair and maintenance procedures for the future, or to finance new investment that will allow them to stay even with growth.

Three conclusions for federal policy design, I think, follow from this diversity.

- First, it is unwise to try to establish uniform national priorities regarding local capital investment needs.

- Second, any federal policy to stimulate infrastructure investment should allow local and state governments to select their own investment priorities. This, in turn, implies that the federal government should rely less on categorical capital grants and more on policies that allow local choices about capital spending.

  Two forms of federal assistance are most consistent with this approach: a block grant for infrastructure

investment, and an Infrastructure Bank, which could lend funds at subsidized rates across a variety of functional areas, depending upon the requirements of the borrower.

- Third, federal policy should encourage the states, and states should encourage local governments, to conduct their own assessments of capital condition, long-run capital investment and maintenance requirements, and immediate investment priorities. Federal Highway Needs studies and other federal assessments can be used as models for the states, but a nationwide inventory of local capital stock condition is beyond the capacity of the federal government to carry out. Even if it were possible, such a national needs assessment would be less valuable than creating and supporting the capacity of states to conduct their own assessments.

THE NEED FOR A LONG-TERM COMMITMENT

The solution to the nation's infrastructure backlog does not lie in a new, short-term program. The Local Public Works bills of the latter 1970s made scarcely a dent in the long-term capital problems of state and local governments.

Because these programs were temporary, local governments could not use them to make permanent commitments to more frequent replacement cycles or higher standards of maintenance. Even major, one-time capital projects were ill-suited to the program design. These typically require

commitments for future capital spending that exceed the planning horizon of the Local Public Works bills. As a result, federal dollars were diverted largely to minor repairs.

We now need long-term solutions to the capital infrastructure dilemma. Federal policy should help solidify a permanent commitment to infrastructure maintenance and repair. The recent gas tax legislation moves in that direction by not just adding dollars for investment today but by assuring continuation of federal policy into the future.

That also is one of the attractions of an Infrastructure Bank. It is an implicit guarantee of permanent attention to public capital needs. Once a Bank has been created, and endowed with a professional staff, it is unlikely to disappear. Loans will have to be repaid and the Bank will have to be there to receive them. If the initial legislation establishes a revolving fund, so that loans which are repaid are recycled to new infrastructure uses, a second generation of lending activity can be assured.

I believe that permanence, visibility, and professionalism are the critical arguments in favor of an Infrastructure Bank. It is not that below-market loans to support public capital spending represent a magical or costless source of financing, but that an Infrastructure Bank is a tangible long-term commitment and more difficult to disavow than a block grant program.

What of the financing requirements of such a Bank? To have an impact on infrastructure conditions it would have to consolidate some existing categorical grant programs and have an additional capitalization of $10 billion-$20 billion. That represents a large amount of new federal borrowing, given today's budget conditions.

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The argument for an Infrastructure Bank would be more persuasive if state and local governments would volunteer to surrender some of their current borrowing capacity in exchange for this new financing vehicle. If infrastructure finance is a priority, these governments might consider, or be required to consider, offsetting reductions in the volume of tax exempt debt issued to support middle income housing mortgages or industrial development authority borrowing to support the states' competition for business investment.

INSTITUTIONAL REFORM

It would be a mistake to think of the infrastructure problem as one of dollars alone. It is also a problem of institutions.

There is little to be gained from boosting investment in the nation's public capital stock unless we can also be certain that, once this investment is carried out, ordinary repairs and maintenance will not again be deferred. That will require institutional reform.

It is essential, in my opinion, that federal policy allow local discretion in deciding how new infrastructure dollars are spent. But it is entirely appropriate that the federal government should require local governments to have in place the institutions that can guarantee capital preservation.

An Infrastructure Bank, for example, should make it a condition of a loan to a water or sewer system that the system charge full-cost pricing for its services. User fees should include amounts needed to sustain a long-term capital repair and replacement strategy. At present, too many water systems are disinvesting in their assets simply because they do not have the political will, or ability, to charge full-cost fees.

The Bank may also want to make it a condition of loans that the local government have in operation a system of capital assessment and capital budgeting that meets professional standards as established by the Bank.

These conditions are no more onerous than those a private bank would require of a private borrower. They help ensure that the loan can be repaid and that the public funds used to subsidize loan rates will serve their public purpose. In fact, the ability to exert institutional leverage of this sort is one of the principal advantages of a Bank structure.

II. INFRASTRUCTURE AND JOBS

There is special interest now in launching a federal infrastructure program because it would seem to create jobs at the right time. A public works initiative is certainly consistent with a job-creation strategy, but we should learn from the past not to freight such a program with unrealistic expectations.

Public Works As Countercyclical Employment Policy

In the past, the federal government has made temporary public works programs a major part of its countercyclical employment policy. The record suggests that these programs have not succeeded very well. A new public works commitment cannot, in my view, be justified principally as short-term job creation.

First, it is already too late for a temporary public works program to be truly countercyclical. In this respect, we are repeating the history of the 1970s. Public works jobs bills have become what students of the business cycle call a "lagging indicator" of the economy. Their passage seems to confirm that the economy has touched bottom and is on the road to recovery.

A look at the history of the last public works initiatives shows how difficult the timing challenge is. It took three years for the federal government to disburse 90 percent of program funds to localities. It took much longer for local governments to spend the monies they received. Most of the expenditures occurred during the strong cyclical upswing, and a not insignificant share of spending occurred near the very top of the cycle, where it reinforced inflationary pressures.

The nation could do better this time. Legislation could be passed and signed swiftly. The administrative experience gained in previous rounds of local public works means that federal agencies can move the funds to state and local governments more quickly. Local governments have a far better idea today than they did six years ago of how capital repair dollars should be spent. They are likely to spend federal aid faster and more wisely.

But even with greater efficiency at all levels of government, a public works initiative cannot be genuinely countercyclical--at least for the current economic cycle. It is simply too late.

Second, federal deliberation over a large, temporary public works bill may actually depress public capital spending now, when it is needed most. That, too, is the experience of the last round of public works legislation. During times of budgetary pressure, state and local governments do what any prudent manager would do: they substitute new federal funds for their own tax dollars. If new federal funding looms on the horizon, they tend to postpone expenditure commitments until the federal assistance becomes available. The first impact of the earlier Local Public Works bill was to depress total capital spending by state and local governments. This shortfall was later recouped, but its occurrence further argues against heavy reliance on public works legislation as a countercyclical device.

Finally, temporary public works bills have not done a good job at reaching a broad spectrum of the cyclically unemployed. The 1970s' programs drew primarily upon the standard construction labor force. (See Table 2.)

Table 2

COMPARISON OF LOCAL PUBLIC WORKS LABOR FORCE
WITH CONSTRUCTION LABOR FORCE AND CIVILIAN LABOR FORCE

	LPW Labor Force	Construction[1] Labor Force	Total[2] Civilian Force
Sex			
Male	99.1%	93.2%	57.9%
Female	0.9	6.8	42.1
Age			
16-19	4.1	7.2	9.0
20-24	15.2	16.9	14.9
25-44	51.6	46.2	44.7
45-59	25.1	23.9	24.0
60+	4.1	5.7	7.4
Race			
White	77.5	90.5	88.1
Black and Other	22.5	9.5	11.9
Previous Employment Status			
Employed	86.4	90.1	
Unemployed	12.4	9.9	
Not in Labor Force	1.2	Not Available	
Duration of Unemployment			
Less Than 5 Weeks	54.7	55.0	53.5
5-14 Weeks	29.1	27.6	27.7
15-26 Weeks	15.4	8.5	9.1
27+ Weeks	0.7	8.9	9.6
Mean (Weeks)	7.2	10.5	10.8
Income			
Less than $5,000	12.9	26.2	
$5,000 - 9,999	23.6	25.5	
$10,000 - 11,999	12.9	10.7	
$12,000 - 14,999	16.3	10.7	
$15,000 - 19,999	19.5	13.8	
$20,000 - 24,999	9.9	7.5	
$25,000 or More	4.9	6.2	
Veteran Status			
Non-Veterans	61.2	68.3	
Veterans	38.8	31.7	

1. The Bureau of the Census, Current Population Survey, 1978.
2. The Bureau of Labor Statistics, Employment and Earnings, October 1978.

Source: Mary E. John, "The Employment Effects of the Local Public Works Program" (University of North Carolina at Chapel Hill, Department of City and Regional Planning, 1981).

The jobs they provided went overwhelmingly to males--less than one percent of participants were female. The female share of jobs, in fact, was much lower than that in the total construction labor force. Jobs did not effectively reach youths. The share of participants ages 16-19 was less than half of that of the total labor force, and still lower in relation to youth's share in total unemployment. Local Public Works also did not target effectively on either low-income workers or long-term unemployed.

I believe three conclusions can be drawn from this record:

- A public works initiative cannot be the mainstay program of a comprehensive job-creation strategy--especially temporary job creation.

- Public works spending does provide employment for construction workers. These workers are currently afflicted with high unemployment rates. Consequently, public works initiatives can fit into an overall job strategy, as long as other elements of the strategy concentrate on creating jobs for women, youth, and low-skilled workers.

- Although a new Infrastructure program should not be sold as jobs creation, the timing is supportive. The economy can certainly absorb the demand that will be placed on construction workers. Apart from the federal deficit, there will be no better time to launch an Infrastructure initiative.

STRUCTURAL UNEMPLOYMENT

Can an infrastructure initiative assist in the long-term relocation of displaced skilled workers, such as those forced out of the automobile and steel industries?

To some degree. A long-run commitment to higher levels of public capital repair would serve as a signal to firms and unemployed workers of future demand. Already, several steel firms have used the Gas Tax legislation as an incentive to study their ability to meet the future requirement of bridge reconstruction.

Unfortunately, however, we know relatively little about the specific skill requirements of different types of public capital projects--either in terms of direct labor demand, or in indirect demand through the materials used for specialized construction. I regard this as one of our major information gaps in designing effective Infrastructure and Jobs programs.

In the short run, The Urban Institute and the American Society of Civil Engineers are seeking to fill part of this information gap. We will convene next month a conference of local public works directors, state officials, private contractors, engineering consultants, and others to identify what is now known about the skill mix required for different types of infrastructure investment.

For the longer run, this should be an element of states' capital needs assessments. To design a careful Public Works program, a state needs to know not only the current condition of its capital facilities, and their importance to economic development and other objectives, but the

match between the skill requirements of an infrastructure repair strategy and unemployment patterns within the state. Infrastructure spending should be used strategically to assist in the re-employment of a state's skilled labor force.

COMMON SENSE ON PUBLIC WORKS:

INFRASTRUCTURE, JOBS, AND ECONOMIC GROWTH

Roger J. Vaughan

Testimony prepared for the
Senate Committee on the Environment
and Public Works

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INTRODUCTION

The nation is confronting a crisis precipitated by insufficient and inefficient public investment in the maintenance and development of public infrastructure. Between 1970 and 1980, the share of GNP devoted to investment in public works fell by 50 percent. Newspaper articles and reports have documented the growing number of bridges closed to traffic, the unsafe state of many dams, hazardous water supply networks, and inadequate water treatment facilities. Continued underinvestment will jeopardize national economic recovery, weaken government's ability to deliver public services, endanger the environment, and will threaten public safety and health.

The nation also must bear the costs of double digit unemployment, underutilized productive capacity, and a seemingly irreversible erosion of our competitiveness in international markets. Congress echoes with proposals to solve both the infrastructure and the unemployment problems with "jobs bills" – programs that would commit billions of dollars of federal funds to rebuilding deteriorated public facilities with labor intensive techniques.

Well-intentioned as these proposals are, they will not have the desired result. The infrastructure problem will not be solved merely through the temporary infusion of federal dollars. Neither will jobs be created in the short run by increased spending on public works. We will begin investing in public infrastructure wisely only when we make radical changes in the way we plan, manage and finance public capital projects. We will help the unemployed only when we provide them with the skills needed by today's industry. Temporary programs only serve to delay the development of permanent solutions.

This paper outlines what needs to be done to raise the rate of investment in public works and to increase the efficiency of those investments. The first section describes how this trillion dollar crisis was created. The second section outlines steps that must be taken by the federal and state governments so that we can meet our needs for public

works. The final section reviews why attempts to create jobs through federal counter-cyclical public works programs will not solve the infrastructure problem and will not create jobs for the victims of the recession.

HOW DID WE GET INTO THIS MESS?

One of the most frustrating aspects of the infrastructure crisis is that we do not know how bad the problem is. Estimates on how much we need to spend to arrest the rate of deterioration vary between a doubling of annual spending (from the present rate of $75 billion) to a quadrupling of annual spending. Without increased federal aid, reaching the latter goal would entail a 50 percent increase in all state and local taxes – a step that would be fiscally impossible in most jurisdictions and politically impossible in all of them.

Few state and local governments keep track of the condition of their public facilities systematically and have the capability to plan and budget for the increases in investments that are needed. Lack of data is a major reason we have allowed our public works to erode as rapidly as we have. Effective capital budgets at all levels of government are a necessary first step in understanding the dimensions of the problem so that we can spend our tax and bond revenues wisely to solve it.

Our problems have also arisen because we have emphasized expansion and growth rather than the careful use of public resources. With the massive population movement westward, the shift from rural to urban areas, and the postwar suburbanization, the public works problems have always been those of accommodating for population expansion or relocation. Federal grants – from the land grants to the railroads in the nineteenth century to rural electrification loans in the 1930s and waste water treatment plants today – have reflected this focus. We must now develop a more balanced public investment strategy that balances the need to build for growth with the need to conserve what we have already built.

We have deferred vitally needed maintenance and repairs because the political process imposes a short time horizon on public investment decisions. Most public facilities have expected useful lives far longer than the expected political lives of most elected officials. While a new project offers a highly visible symbol of a Governor's or

mayor's commitment to the local community, repairing sewers and water pipes is invisible — at least until the pipes rupture. Police protection and fiscal relief usually take precedent over maintaining the capital stock.

If these factors have contributed to a chronic underinvestment, there are other factors that have created an acute problem in recent years. First, the combination of suburbanization, the energy crisis, and the sharp economic recession in 1974-75 necessitated sudden, rapid fiscal adjustments by state and local governments. If New York City had the most publicized brush with bankruptcy, other localities were not far behind. The capital budget the most vulnerable expenditure area to sudden cuts because there were few obvious and immediate, effects.

The Congress encouraged state and local governments to behave in this way. With each new revelation of local problems, federal categorical grant programs were legislated and funded. Hard-pressed state and local officials grew accustomed to the concept of the federal government as the builder and repairer of the last resort. By 1980, 40 percent of all state and local capital spending was paid for through scores of federal categorical programs. With mounting federal deficits, it appears that the fiscal tide has turned. But the allocation of responsibility among federal, state and local governments remains confused.

The way that federal grant programs were designed has discouraged state and local officials from developing efficient maintenance procedures. Federal-aid highway grants pay 90 percent of the costs for the construction of interstate highways, 75 percent for primary, secondary, and urban roads, and 80 percent for bridge replacement. As a result, state officials told the staff of the U.S. General Accounting Office that some states deliberately allow their roads to deteriorate until they reach a point where federal funds would be available for major rehabilitation. This bias runs across all federal programs. In a survey of state and local governments conducted by the American Public Works Association, 90 percent of respondents indicated that federal capital funds cause them to

lower the priorities they attach to maintenance and repair. Further federal capital grant programs will only aggrevate the situation.

In the last two years the bond market -- through which states and localities finance half of their capital expenditures -- has been an increasingly hostile environment. Real interest rates remain at record peace time levels, even though market rates have declined during the second half of 1982. The advantages of tax exempt financing have shrunk. The interest differential between taxable and tax exempt bond rates has narrowed from over 30 percent to only 17 percent. The market has been squeezed by two forces. Demand for municipal bonds has been reduced by changes in federal tax policies that have reduced the upper income tax rates and that have led institutional investors to shelter their tax liabilities in leasing and other activities through purchasing tax exempts. At the same time, state and local governments have dramatically increased the volume of bonds offered for sale. In 1981 less than half the revenues from the sale of long-term tax exempt bonds were used for traditional, public works projects, the rest were for private sector investment including issues to finance not-for-profit health and hospital facilities, pollution control projects for private firms, and industrial revenue bonds.

In short, we have run up expenses in the past decades that may total in the trillions of dollars. We have acted myopically, and we have not kept any records on the extent of our profligacy. We have designed our intergovernmental grants system in ways that exacerbate rather than improve the situation. We have not been prepared to spend enough on public investments.

As we debate economic policies to restore our ailing economy, we must concern ourselves with public as well as private investments. We cannot afford to regard all public spending as undesirable and to curb state and local budgets across the board. We must recognize that public investments in transportation systems, water supply facilities, and in modern education institutions are as vital for sustained economic growth as private investments in plant and equipment.

WHERE DO WE GO FROM HERE?

The challenge is enormous. It will not be met by marginal changes in a few programs. It requires the development of a comprehensive national capital investment strategy – a strategy built on eight elements:

1) Developing cost-effective maintenance, replacement, and design standards for public works projects. The present engineering standards lead to inflated estimates of needs and are insufficient as guides for assigning investment priorities.

2) Reducing the use of public funds to subsidize private sector investments, terminating public sector programs that could be provided by private firms, and transferring ownership of facilities that would be better managed in public hands. Scarce public funds must be used to maintain and develop only those projects necessary to fulfill public obligations.

3) Improving planning, budgeting and management procedures for capital investment. Costly delays, inefficient priorities, and poor management of public facilities inflate costs and accelerate deterioration. Properly controlled single-purpose public authorities have a longer time horizon than elected executives and legislatures.

4) Relying more on user fees – charges and dedicated tax revenues – to pay for both the construction and operating costs of public facilities. User fees are <u>not</u> simply an additional source of revenues and a way to circumvent tax limitations. Efficiently designed user fees are public prices for public goods and services. They will encourage more efficient use of facilities, will reduce investment needs, and will lead to more efficient public investment decisions.

5) Improving bond financing mechanisms to avoid the proliferation of small issues that increases financing costs. Bond banks, state loans to localities, and state guarantee programs are initiatives that can yield substantial savings.

6) Shifting a larger share of the costs of public infrastructure onto private corporations, especially the cost of those facilities associated with large scale projects. For these projects, state and local governments must negotiate the allocation of infrastructure costs with the developers. Also, lease financing and service contracts offer indirect ways of leveraging private sector tax incentives to reduce public sector costs.

7) Rationalizing the allocation of capital financing responsibilities among federal, state and local governments in order to avoid needless duplication and to ensure that all jurisdictions have adequate resources to make needed investments.

8) Raising some taxes to increase the level of spending on public works.

None of these steps is easy – either to design or to carry out. We must assess how the changing structure of local economies and rapidly evolving technologies will shape the future demand for public works. Political leaders must educate the public in the need for increased spending and new programs by presenting a coherent and comprehensive strategy.

A durable and effective solution to our deteriorating infrastructure will require initiatives by all levels of government – initiatives undertaken with an agreement on the fundamental principles of infrastructure financing. The four principles that should guide the design of an evolving partnership between federal, state, and local governments are:

1) Wherever possible, those who benefit from a particular facility or the services it provides should pay for it. Road users should pay for roads; water users should pay for water; and visitors to a park should pay for the privilege.

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2) The capital costs of a facility should be amortized over the expected life of that facility and maintenance costs should not be deferred. This avoids intergeneration transfer of costs.

3) The costs of a facility or program should be paid by the jurisdiction in which the benefits are provided. This reduces the tendency to fund pork-barrel projects. However, some allowance should be made for differences in the fiscal capacities among localities.

4) Where user fees may deny access to a facility or service to the poor, special provisions should be made for low income households.

These general principles should guide public capital investment policies for all levels of government. The following sections describe the federal and state policies that would convert these policies into an affordable and efficient national public works strategy.

THE FEDERAL ROLE

The federal government will remain the dominant influence on public capital investment programs at all levels of government. Its broad taxing power, the fact that many types of public works are in the national interest, and the sharp differences in fiscal resources among states and localities dictate a continued federal presence. But we must also recognize that past federal policies have contributed to the problem almost as much as they have helped. I propose four major federal initiatives that would clarify the responsibilities of different levels of government, provide state and localities with the resources for increased capital investment, would allow the flexibility necessary to use these resources prudently, and would generate the information and technical expertise to develop effective capital budgeting techniques. These initiatives are:

1) Decentralization of responsibility for public capital investments accompanied by federal assumption of income maintenance program costs. This is essential for two reasons: first, full federal funding of public works projects – whether

dams or highways -- leads to poor project selections: second, the possibility of federal aid in the future deters prudent maintenance today.

2) Setting up state infrastructure banks that would pool state and federal resources to finance needed public works programs. Instead of encouraging rapid deterioration by defining the eligible projects as narrowly as is now done, these banks would allow states to pool resources for road transportation or water projects and spend the money on those projects and activities most needed in the area.

3) Allowing state and local governments to issue taxable bonds for public infrastructure projects that would receive a direct subsidy of 35 percent of the interest costs from the U.S. Treasury. The net cost to the federal government would be negligible because the taxes on the interest payments paid by the bondholders would cover the cost of the subsidy.

4) Federal coordination of planning and budgeting procedures. Unless the development of capital budgeting and planning procedures is coordinated at the federal level, will lead to incompatible data, duplication of resources, and other inefficiencies. Direct federal involvement should be through state governments, who would be charged with ensuring that their component jurisdictions develop the types of planning and budgeting procedures that are essential to wise and efficient capital investments.

These initiatives are discussed in turn below.

A New Federalism

Both the National Governors' Association and President Reagan have proposed initiatives that would "sort-out" the allocation of responsibilities between the federal and state governments. This is urgently needed. The guiding principle should be that the federal government assume greater fiscal responsibility for programs that assist people, while the state governments assume greater responsibility for financing and administering

public works projects and programs. The logic is relatively simple. For the most part, public works projects have a relatively "local" impact – a bridge assists commuters in a clearly defined area, and a water treatment plant improves the environment for local people. Poverty should properly be regarded as a national problem because people can move across state lines.

It is clearly impossible for state and local governments to assume full responsibility for public works without some fiscal offset. A swap of the type outlined above would be an effective way of achieving this. Since it would lessen the possibility that Congress would initiate a new categorical capital grants program to bail out state and local governments, it would encourage more effective maintenance and operating practices. If the prospect of federal funds for public works projects is strong, the tendency to defer maintenance until federal funds are available will remain.

State Infrastructure Banks

Decentralization of both fiscal and administrative responsibilities for infrastructure construction and maintenance will only prove effective if state governments will have much greater discretion over the type of projects and investment and maintenance activities they carry out. One way to allow this would be for states to pool federal and state funds in "infrastructure banks" which would be dedicated to certain classes of public works, but would not require federal approval for specific projects. The federal governments role – beyond providing annual block grants – would be limited to regulations setting minimal standards for water quality or highway maintenance quality. Two of the most important broad programs with the greatest impact on infrastructure which would lend themselves to this approach are water and sewer projects and the interstate highway system.

Water projects. Most major water projects concerned with inland freight transportation are 100 percent financed and managed by the Corps of Engineers. Many water projects concerned with electricity generation, irrigation, and municipal water supply are

undertaken by the Bureau of Reclaimation. Studies by the U.S. General Accounting Office have found that some of these projects are not cost effective. Because no state or local funds are involved, localities have no incentive to identify and undertake only those projects that are economically viable. Senators Moynihan and Domenici have proposed to convert water projects into a block grant program to states which would require a state match for each project funded. This proposal is consistent with the Administration's new federalism, and, since it could yield substantial savings to the federal government, will receive more attention in the future. State administration of these funds could be effectively undertaken through a statewide water authority that would issue bonds, backed by user fees, to undertake major projects and to lend money to localities. New York State had already completed feasibility studies and proposed enabling legislation for such an authority. All federal categorical programs related to water should be made available to state banks through block grants. This process should be phased in over a five year period to allow states to set up the necessary institutional and budgetary procedures.

Decentralization of the Interstate Highway Program. The deteriorating condition of the interstate highway system will be one of the most expensive infrastructure programs during the next decade. The increased revenues from the additional gasoline and other road user taxes, enacted in December 1982, is a significant first step — the gas tax had remained unchanged at four cents a gallon since 1962, inspite of escalating construction costs, increased highway use, and smaller cars. But a long-term solution must also include the decentralization of management and administration of the system so that states can set up their own "trust funds" that would combine federal monies with state revenues from gas taxes, tolls (since the present requirement that tolls be phased out as debt is retired should be abandoned), vehicle registration fees, and other dedicated fees and taxes.

Allocations to the state trust funds could be made in a manner similar to the present allocations, with a state match required. But states would have much greater flexibility

in selecting which projects they chose to undertake. States that elected this option could choose which incomplete sections to complete, which bridges to repair, and which sections to upgrade, ending the time consuming and highly political negotiations that currently attend these decisions. All states should be required to set up trust funds by some prescribed date, and all federal highway expenditures would be channelled through these funds. The trust fund structure would allow long-term comprehensive planning at the state level. Washington could define minimum standards to ensure the maintenance of a uniform system. The combination of increased gasoline tax revenues, tolls, and the local setting of project priorities could provide for a long-term solution to crumbling roads.

A great deal of attention has been focused on the concept of a federal infrastructure bank whose function would be to make loans for major capital projects in localities. This would create another bureaucratic layer and would be subject to the same problems that has bedeviled the interstate highway program and other grants programs. It is unnecessary. The combination of state-level infrastructure banks and the taxable bond option (described below) would provide states with the resources they need and the incentive to make efficient and timely investments in public infrastructure.

Taxable Bond Option

During the last decade, there were several proposals, both by Congressional committees and by analysts of the municipal bond market, to provide state and local governments with the option of issuing taxable bonds, for which they would receive a direct subsidy of part of the interest costs from the U.S. Treasury. The proposal was argued for three reasons:

- First, the exemption of interest from personal income taxes was unnecessarily expensive. Some research indicates that as much as one-third of the revenues not collected by the U.S. Treasury are essentially subsidies to high income individuals. A direct subsidy from the U.S. Treasury could be designed that

would be cheaper in terms of revenues lost, and would provide a greater borrowing subsidy to state and municipal governments.

- Second, a taxable bond would compete in a much broader capital market than a tax-exempt bond, and would therefore make it easier to market public debt.
- Third, the taxable bond market is more stable than the tax-exempt market, therefore a public taxable bond would offer the public sector the opportunity for more stable long-term financing.

The recent changes in the tax-exempt bond market make this proposal very appropriate today.

The initiative is simple and inexpensive. States and localities would be empowered to issue taxable bonds and would receive an annual cash payment of 35 percent of the interest cost from the U.S. Treasury. Since the marginal tax rate of bond purchasers is at least 35 percent, the tax revenues collected by IRS would be about equal to the cost of the subsidy. If the long-term taxable bond rate were 13 percent, the post-subsidy cost to a locality would be 8.45 percent, nearly 200 basis points below the 10.4 percent on tax-exempt bonds that has prevailed in past months. The taxable bond could be an option for state and local governments. It would not replace tax-exempt bonds. Second, the taxable bond option should be made available for only certain types of public investments – including public education and health facilities, roads, water supply and treatment facilities, and ports and terminals. It could explicitly exclude public bonds whose revenues were used to finance private facilities, or facilities with private tenants.

Third, the interest subsidies must be an entitlement, funded from the proceeds of the sale of federal bonds, not from direct budget appropriations. The subsidy must not be vulnerable to the vagaries of the annual appropriation process. This would create uncertainty and deter rational long-term planning by state and local governments. The taxable bond option could be offered as an entitlement to states and localities in exchange for increased state assumption of responsibilities.

The cost of the program would be borne by high income households whose 50 percent marginal tax rates make municipal bonds at 10 percent the equivalent of a taxable bond earning 20 percent. The program is less cumbersome than categorical grant programs or a direct federal loan initiative because it would entail no expensive allocation procedures or cumbersome mandates and regulations.

In order to stimulate the economy as quickly as possible, it would be possible to offer an additional 10 percent subsidy for all bonds issued to finance projects that "break ground" before September 1983. This would be much less cumbersome than the type of protracted allocation procedures that have delayed past countercyclical public works programs.

Increased Federal Assistance for Planning and Management

The mounting concern over the deterioration of public works and the lack of data from which to assess the extent of the problem and to evaluate alternative solutions has led to several proposals to increase the public capital planning and managing activities of the federal government. The first step must be for federal agencies to develop their own, standardized capital budgets, recently characterized by the U.S. General Accounting Office as "a collection of haphazard practices." These standardized techniques should then be shared with state governments and their adoption required as a prerequisite for setting up infrastructure banks.

The federal government must help develop new accounting, financing, and budgeting techniques. The "privatization" of some public activities will only be possible after some complex research, reform of regulatory procedures, and setting up markets of public goods and services where none currently exist. This, too, must be aided by a federal commitment to funding research and demonstration projects that would not be undertaken in the absence of federal involvement.

The dissemination of information is best performed by a federal agency. State and local governments should be able to draw upon data on technological innovations in

construction and maintenance practices, on "needs assessment" techniques, and on evaluations of policy of program innovations carried out by other states and areas.

THE STATE ROLE

The greatest increase in fiscal and administrative responsibility for public capital investments will fall upon state governments. Not only will states have to change their own practices and levels of effort, but they will have to provide increased assistance – fiscal, technical, regulatory, and administrative – to local units of government. Many of the state functions will be unfamiliar – regulating private water suppliers, entering into leasing arrangements with private firms, or managing hazardous waste disposal sites, for example. All actions will require public education and leadership to secure the passage of enabling legislation or budgetary obligations. These efforts will be opposed by individuals and interest groups who have benefitted from implicit and explicit subsidies in the past and who will face higher taxes or user fees in the future. It will be necessary to present a comprehensive strategy.

The first step is to develop state capital budgets modelled on federal procedures. These should include more than a wish list of future projects. It must include: a discussion of the underlying values and principles that guide the strategy; an analysis of public and private sector responsibilities; a description of the mechanisms that will be used to finance both construction and operating costs; and a careful analysis of the impact of a proposed capital project on future operating expenses.

The next step is to control the tendency to use public, tax exempt bonds for private purposes. In view of the bonanza for private investment provided by the 1981 Tax Act, these public subsidies should be carefully rationed. A cutback on these issues would permit increased financing of truly public projects by reducing tax exempt interest rates.

Third, states must make much greater use of public prices for public facilities and services. When water is not metered, there is no incentive for users to conserve. User fees on water not only provide revenues to finance construction and maintenance of

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supply systems, they also discourage waste and, therefore, cut back on the need for additional capacity.

States should assist local governments in planning for their financing needs. New Jersey and North Carolina help small local jurisdictions set up budgetary and accounting procedures and authorize local bond issues. The result is that local issues are greeted less skeptically in financial markets. The infrastructure bank (outlined above) would provide useful mechanism to coordinate state and local capital investments.

Those states with many small local jurisdictions should consider setting up "bond banks" to lend their superior credit ratings and bond market access to counties and towns. Five states have set up institutions that effectively reduce borrowing costs by up to two percentage points. In Maine, the state bank issues bonds whose proceeds are used to purchase the issues of localities. This greatly reduces issuing costs, and allows small towns to benefit from the bank's Aa rating. The bond bank's issues are backed up by a lien on state grants-in-aid, and in the last resort, by the state's moral obligation. Ninety percent of all local issues are financed through the bank. The process also allows states some control over the type of projects undertaken by local jurisdictions – a feature that encourages a more coordinated approach to infrastructure development and more consistent financing practices.

States can also provide grants to localities to defray the cost of debt service or can guarantee local issues. Many states have intra-state revenue sharing programs, but these usually provide money for all areas and are rarely targeted on the localities with the greatest need. In view of the sharp cutbacks in federal aid, greater targeting will be essential. New Jersey's qualified bond program allows localities to earmark state urban aid grants as a guarantee of repayment to the bondholder (without becoming entangled in the local budget process). The program allowed Newark and Jersey City to improve their rating on qualified issues from Baa to A, saving nearly 200 basis points (2 percentage points) on each issue.

Finally, states can provide low-interest loans to localities to help finance part of the costs of local projects. Colorado, Pennsylvania and Texas provide low-cost loans to towns and counties for water supply systems, which have been used to pay the local cost on projects receiving partial federal funding.

States can use their technical expertise and high credit ratings to bring order to confused credit markets and to reduce the costs and rebuilding and developing the nation's public works. While these policies will not fill the yawning gap between the current level of effort and what is needed, they are an integral part of a national investment strategy.

WILL A COUNTERCYCLICAL JOBS PROGRAM HELP?

The proposals outlined above are all, clearly, long-term solutions to the "infrastructure" problem. They will do little to create jobs today. Yet there are over 11 million workers unemployed, including one out of four construction workers. It is therefore appealing to propose an emergency public works program that would generate jobs as quickly as possible. Several bills have been submitted to Congress including initiatives that would revive the Depression-era Works Progress Administration. Unfortunately, experience suggests that these well-intentioned programs are unlikely to have the desired results. By focussing on short-run solutions to what is a long-run problem, they may deflect attention from what really needs to be done.

The experience with the Local Public Works Program, passed by Congress in August 1976 in response to the 1974-75 recession should give "jobs bill" advocates pause. LPWP provided $6 billion in grants to state and local governments to create jobs by funding public works projects. The overall effect was to create almost no jobs, to slow down the economic recovery, and to provide little local benefit except some much needed fiscal relief – a benefit that could much more easily have been effected by increasing revenue sharing grants.

The initial response to the passage of the Act was a deluge of $22 billion in project applications from state and local governments to the Economic Development Administration (the agency which was responsible for overseeing the program). There was a precipitous decline in capital spending by these governments as they awaited the funding decisions from EDA. Capital spending had been increasing through 1976 reflecting the economic recovery until the program was announced. Local officials, quite prudently, were unprepared to commit scarce local funds to a project if there was a chance that EDA would pick up the tab. The level of spending was not restored to its pre-program level until the middle of 1977.

When the level of spending was restored, it was not significantly above the level that would have pertained without the federal program. A 1979 study by the Office of Management and Budget estimated that between 80 and 100 percent of the federal funds simply "displaced" local spending – allowing the deferral of local tax increases, but not increasing the total level of public spending on public works, and therefore not creating any new jobs.

There were long delays in spending the federal funds. Most were spent during 1978, when the economy was expanding at full speed. Some funds were not used until 1980, four years after the passage of the legislation.

OMB also found that the jobs created offer little opportunity for the hard core unemployed. Nearly threequarters of those employed on the federally funded projects had been employed on the day prior to hiring. Threequarters of the jobs – and only one in five LPWP dollars were spent on onsite labor costs – require high levels of skills, skills that most of the unemployed do not have. Those few unemployed that were hired as a result of the program found that their jobs lasted for less than a month.

There is an alternative that might prove useful in the next recession – it is too late to enact any jobs program that could be of any assistance to those currently jobless. States should set up "stabilization funds" that would accumulate revenues during periods of rapid growth that could be spent when the local economy softened. Michigan had accumulated $300 million in just such a fund when its economy was severely hit by the recession that began in late 1979. With federal matching funds, state stabilization programs could be used to provide a significant countercyclical stimulus in a timely way and directed toward those areas where a recession is first experienced. The state infrastructure banks, described above, would be able to plan for such spending in advance.

This proposal provides little comfort for the swelling number of unemployed who are victims of the present downturn. By failing to address the need for a permanent countercyclical program, in the past, we have denied them any real hope for jobs today.

Perhaps all we can do is to provide immediate assistance for those who have exhausted their Unemployment Insurance benefits to enroll in education and training programs that will allow them to retrain or to learn marketable skills that will provide them with well-paid jobs as the economy recovers. Many of those that have lost their jobs during the past year are unlikely ever to regain their old position. They will need to learn new skills. A G.I. Bill for the unemployed American would be a first step in recognizing that our economy is undergoing rapid and fundamental changes.

In summary, if we are to resolve our infrastructure and unemployment problems, we must develop long-term programs. We need to restructure radically responsibilities for public capital investments and the way we plan, manage and finance those investments. Hastily conceived programs aimed at short run problems will not work.

Senator Robert T. Stafford
Chairman,
Committee on Environment and Public Works
U.S. Senate
Washington D.C., 20510

February 10 1983

Dear Senator Stafford,

I enjoyed the opportunity to participate in the Committee's hearings on infrastructure and unemployment on February 3, 1983.

As you requested, I am attaching a written response to the 8 questions. I would reiterate the comments that I made during the hearings -- I am very concerned that, in the haste to stimulate the economy and provide jobs for the unemployed, we will lose sight of the need to develop long term solutions to the chronic underinvestment in public works. I do not believe that we can solve two problems with one program.

I would be happy to answer any further questions that the Committee may have on this topic.

Sincerely

Roger J. Vaughan

Roger J. Vaughan
Senior Fellow
Gallatin Institute

Answers by Roger Vaughan to Questions for the Record for Infrastructure and Jobs Hearings before the Committee on the Environment and Public Works, February 3, 1983

Question 1. What suggestion would you have to reshape the overall Federal public works programs -- dams, highways, sewage treatment, public buildings, etc. -- to achieve more without any increase in Federal outlays?

Three principles should guide the redesign of federal infrastructure programs that would allow the more efficient investment of federal resources:

First, Federal grants should be made to state infrastructure banks of the type proposed by Governor Keane of New Jersey, and states should be free to use those grants as low interest rate loans to localities. This would stretch the federal funds further and encourage the increased reliance on user fees at the local level which will guarantee a long-term revenue stream to ensure adequate maintenance and to encourage more efficient use of the facilities.

Second, the restrictive categories through which most federal infrastructure aid is provided should be replaced by "infrastructure block grants" to state infrastructure banks which would allow greater freedom at the state and local levels to determine priorities and would reduce the present federal incentives for states to defer maintenance in order to get federal funds for system replacement.

Third, the fiscal powers of state and local governments to borrow should be expanded through federal legislation to allow the issuing of taxable bonds for public works, described in more detail in my written testimony.

Question 2. To what degree are local priorities dictated by the availability of Federal dollars? How can that be overcome?

The availability of federal funds has caused significant shifts in state and local spending. They have led to increased state and local spending on waste water treatment and masss transit. But they have also led to reductions in state and local spending on maintaining infrastructure systems because, for many programs, federal funds are available only for substantial rehabilitation and new developments. The simplest way to overcome the biases implicit in the present structure of federal grants would be to replace the categorical grants with a federal block grant for public works to state infrastructure banks. The interstate highway grants, waste water treatment, water supply and development grants and rural development programs should all be included under this approach.

Question 3. How can the Federal Government establish priorities in public works programs?

The broad regulatory and taxing powers of the federal government can be used to establish broad national priorities for public infrastructure -- clean water, reduced gasoline consumption through increased use of mass transit, for example. But it is not necessary for the federal government to translate those prioirities into detailed categorical grant programs as it has in the passed. Federal water standards accompanied by a water block grant would have led to much more efficient investments than the cumbersome waste water treatment program that has led to the "over-design" of facilities because federal funds are available only for new construction and because such a large share of the construction costs are born by EPA.

Question 4. How can a public works job program reach out effectively to unemployed steelworkers, unemployed autoworkers, low-income youths, unemployed women?

Public works jobs programs cannot reach these groups effectively. In a recent issue of Politics and Markets published by the Gallatin Institute, I summarized the reasons why public works programs are an ineffectual way of creating jobs. I include the article below:

5. What kind of jobs programs will reach the unemployed in the most effective way?

The unemployed are not a homogeneous group, and therefore no single program will serve the varied needs of the unemployed. A successful employment strategy for the nation should have three elements:

First, and most important, the federal government must significantly increase the resources that it provides for retraining and education. I believe that we need to initiate a "G.I. Bill for employable Americans. This program would provide all the unemployed and those on welfare with a voucher, worth $3000, which could be redeemed to finance education and training. Those recipients that used their vouchers would repay the federal government through a two percent tax on their gross earnings in excess of $5000 -- a type of "Yale plan". This proposal would be much simpler than the present array of training programs offered through the Job Training Partnership Act, WIN and other federal initiatives. Millions of employable Americans are currently denied access to post-secondary education and training because they cannot afford tuition and other expenses. The voucher/loan approach would greatly expand their access during a period where jobs will become increasingly scarce for those without education and skills.

Second, a modest public employment program may be useful for the economically disadvantaged who lack the work experience necessary to secure permanent, unsubsidized employment in the private sector. Public service employment is not suitable as a countercyclical tool because state and local governments cannot easily increase and reduce their workforces with annual changes in the economy or in federal appropriations. A long-run, permanent program would not create these sudden shifts on hiring.

Third, a modest increase in the level of federal support for infrastructure repair may provide additional jobs for unemployed construction workers. In the long-run, a countercyclical public works program could be developed by setting up state stabilization funds that would combine federal and state contributions during periods of rapid growth, develop a set of projects "on the shelf" that could be undertaken when the state unemployment rate rose above a pre-determined level. I have outlined how such a program would work in a book entitled Inflation and Unemployment: Surviving the 1980s published by the Council of State Planning Agencies in Washington D.C. This type of program would be of little immediate assistance during the present recession, but unless steps are taken today to set up these funds we will be as unprepared to deal with the next recession as we are to deal with today's.

Question 6. It is generally agreed that we will see high rates of unemployment through the next two to four years, even with an improving economy. What would be the most rapid means to put those currently low-skilled, low-wage workers (who may be by-passed by the economic recovery) back to work and off the unemployment roles?

Millions of employable americans will be bypassed by the economic recovery because they lack the education and skills needed by growing industries and because they lack the financial resources necessary to acquire further education and training. The most effective way of expanding the opportunity to produce is to provide these people with an education and training voucher of the sort outlined above. Since they would repay these voucher-loans, the long run cost to the federal government would be zero, and the benefits in terms of reduced welfare dependency and reduced unemployment compensation could be very large. I have described how such a system would operate in a paper entitled "Investing in People" which I enclose for the Committee.

Question 7. How likely is it that public service employment jobs will serve as a stepping stone to unsubsidized employment?

(see answer to question 4). We cannot expect a PSE program to provide a bridge to unsubsidized employment if the funding levels are changed fom year to year. The capacity of state and local governments to provide a realistic and effective environment for the economically disadvantaged is limited, and we should never attempt to repeat the experiment of the late 1970s when the program wa tripled in size in one year and then phased down almost as quickly. A stable, long term program providing about 200,000 job slots is proably a feasible goal.

Question 8. Some seven million women are the heads of families today. The unemployment rate for female heads of households is 12%. What efforts could be made to target women (and other high unemployment groups) in a federal jobs creation program?

The more specific a jobs creation program attempts to be, the more cumbersome it becomes and the fewer jobs that are created. Access to education and training is a far surer way of increasing an individual's employability than any direct federal jobs creation program.

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COMMITTEES
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Member:
OVERSIGHT COMMITTEE ON ENVIRONMENTAL RULES AND REGULATIONS

State of New Mexico
House of Representatives
THIRTY-FIFTH LEGISLATURE
Santa Fe

February 1, 1983

Senator Robert T. Stafford
The Hart Building
Washington, D. C. 20510

Dear Mr. Chairman:

I recently learned of hearings that your Committee, the Environment and Public Works Committee, has been holding on the subject of jobs and unemployment. I understand those hearings were scheduled for January 28 and February 2 and 3, and involved proposals to create jobs through programs to rebuild and improve the nation's highways, bridges, railroads and transit systems. While I would have been happy to testify at your hearings when I was in Washington last week, had circumstances permitted, I thought I would take this opportunity, instead, to convey to you some of my thoughts on the subject in the hope that you will give them due consideration during your deliberations on possible jobs legislation.

I have long been an advocate of federal assistance to our citizens affected by adverse economic conditions. In my capacity in the New Mexico State Legislature, I have worked to see that the citizens in my legislative district are provided opportunity to improve their economic situation wherever possible. Likewise, I have often conferred with my own Senator, Pete Domenici, on this subject when federal actions affect the well-being of my constituents.

There is no doubt in my mind that today we are facing an economic crisis in this country which can and must be addressed by the federal government. Unemployment is not only a serious personal problem to those without jobs, but it is having an equally serious affect on the federal budget. Unemployment can only increase the federal deficit. Idle workers and factories do not produce tax revenue. So, Mr. Chairman, I want you to know that I applaud your

efforts to seek ways that the federal government can address this situation with a view toward findings ways to put people back to work.

In that regard, I think your Committee would do well to take a long hard look at the Economic Development Administration. I have had much experience over the years with that agency through my 16 years service as President of the North Central New Mexico Economic Development District. EDA has been a very effective agency in New Mexico and has created or saved thousands of jobs over the past 16 years. One of the great strengths of EDA has been the network of Economic Development Districts (multi-county economic development organizations) that have worked at the grassroot level to promote economic development and provide employment opportunities for our citizens. Our District has been particularly effective in this regard. The cooperative action between federal, state, county and local governments in EDA programs and projects is not matched in any other federal/ local program.

In summary, Mr. Chairman, I think both the Congress and certainly the Administration are missing a bet by not using the agency that was established for the very purpose of dealing with distressed economic conditions. The agency and the expertise to deal with job situations are already in place. I think the Congress would be wise to consider this factor and should do everything it can to revitalize EDA, fund it adequately, and then let it do the job it is best fitted for -- creating or saving jobs in economically distressed areas.

Please accept my thanks for any consideration of my views that you may see fit to give. If it is possible, Mr. Chairman, I would appreciate it if you would include this letter in the record of your recent hearings.

Sincerely,

Nick L. Salazar

cc: Senator Pete Domenici

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INFRASTRUCTURE NEEDS, POLICY OPTIONS AND PROPOSALS: SUMMARY AND REVIEW OF TESTIMONY BEFORE THE SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS HEARINGS ON INFRASTRUCTURE/JOBS JANUARY 28, FEBRUARY 2, FEBRUARY 3, 1983

Written according to the instructions of the Senate Committee on Environment and Public Works

Charlotte Breckenridge
Analyst in Regional Economics
Economics Division
February 18, 1983

Opening Statement of

Senator Robert T. Stafford

Committee on Environment and Public Works

Hearing on Infrastructure/Jobs

1 p.m., Friday, January 28, 1983

4200 Dirksen Senate Office Building

The hearing will come to order.

It is a great honor to welcome this distinguished panel of Mayors to our hearing this afternoon.

This hearing is the first in a series that will be conducted by the Committee on Environment and Public Works on the issues of infrastructure and jobs. We have scheduled additional hearings next Wednesday and Thursday.

Following these preliminary hearings, it is my intention to draft legislation for introduction later in February. The Committee will resume hearings on that bill, and related legislation, as soon as possible, with the hope that we will be in a position to report legislation to the Senate around Easter.

Before turning to my colleagues, I want to recognize that some of our witnesses may, in the past, have been critical of some of the policies that members of this Committee have supported.

I do not believe that our witnesses today, or later, should be considered in any way hostile. If we are to solve problems confronting our nation, we must work together in a spirit of bipartisanship. Rural states must work with the big cities. The problems of Detroit relate directly to the problems of Tucson. Pittsburgh cannot solve its problems without the help of Peoria, and vise versa.

I say that in an effort to encourage each of our witnesses, as well as everyone interested in this issue, to be as constructive as possible. We must work together on solutions, not the casting of blame.

This Committee cannot establish defense spending levels or alter tax policy. But we are in a position to determine how to improve roads, dams, public buildings, sewers, and water systems in America --- the taproot of urban life. We are also in a position to encourage and foster jobs programs, to help those among us who have been out of work to become productive again.

It is unlikely that we can accomplish this goal simply by throwing money at the problem. Rather, we must find better ways to spend the limited money we have to meet public works needs, while simultaneously cutting into the unemployment problem.

We look to our witnesses for help in finding those solutions, for discovering some practical answers to some very practical challenges.

Thank you.

ROBERT T. STAFFORD, VT., CHAIRMAN
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United States Senate
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
WASHINGTON, D.C. 20510

WITNESS LIST

Infrastructure/Jobs Hearing

Friday, January 28, 1 p.m.
SD-406 (Hearing Room)

Panel of Mayors

1. Richard Caliguiri, Pittsburgh
2. Hernan Padilla, San Juan
3. Charles Royer, Seattle
4. Kathy Whitmire, Houston
5. Coleman A. Young, Detroit

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COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

Hearing

10:00 a.m., Wednesday

February 2, 1983

Committee Hearing Room (SD-406 Dirksen)

Witness List

1. The Honorable William Donald Schaefer
   Mayor of Baltimore

2. Peter C. Goldmark, Jr.
   Executive Director of The Port Authority of New York and New Jersey

3. Nancy Neuman
   First Vice President, League of Women Voters of the United States, accompanied by

   Jane Fleming

   Betty Jean Hall, and

   Marcia Greenberger

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

Hearing

9:30 a.m., Thursday

February 3, 1983

Committee Hearing Room (SD-406 Dirksen)

Witness List

1. The Honorable Thomas Kean
   Governor of New Jersey

2. The Honorable Arlen Spector
   United States Senator

3. Panel of Economists

   -- Richard P. Nathan, Professor of Public and International Affairs, Princeton, University

   -- George E. Peterson, Director, Public Finance Center, Urban Institute

   -- Rober J. Vaughan, Senior Fellow, Gallatin Institute

INFRASTRUCTURE NEEDS' POLICY OPTIONS AND PROPOSALS: SUMMARY AND REVIEW OF TESTIMONY BEFORE THE SENATE COMMITTEE ON ENVIRONMENT

The following highlights present the major policy options mentioned in testimony before the Senate Committee on Environment and Public Works in its hearings on Infrastructure/Jobs, January 28 and February 2 and 3, 1983. Following the policy options, are arguments which were presented for selected options; summaries of testimony by the Mayors and other witnesses; and other relevant points. The testimony reflects differences of opinion as to the effectiveness of combining infrastructure and jobs programs, the job creation effects of infrastructure programs, and the usefulness of emergency public works programs. In general (but not unanimously) the Mayors believe emergency public works legislation to be helpful, whereas Messrs. Vaughn and Peterson question this approach.

Policy Options to Meet Infrastructure Needs

- o Reducing use of public funds to subsidize private sector investments, such as funds raised through public tax-exempt bonds for private purposes. (Vaughn)

- o Shifting a larger share of the costs of public infrastructure onto private corporations, especially the costs of those facilities associated with large-scale projects. (Vaughn)

- o Raising some taxes to increase the level of spending on public works. (Vaughn)

- o Allowing State and local governments the option to issue taxable bonds for public infrastructure projects that would receive a direct Federal subsidy of 35 percent of the interest costs, from the U.S. Treasury. The net cost of this subsidy would be neglible because taxes on the bond holders would cover the cost. This option could be offered to States and localities as an entitlement, in exchange for increased State assumption of responsibilities. The subsidies must be funded from the proceeds of the sale of Federal bonds, not from direct budget

appropriations which would make them vulnerable to the vagaries of the annual appropriation process. Reliance on Federal appropriations would create uncertainty and deter rational long-term planning by State and local governments. (Vaughn) (Mayor Caliguri also favors long-term, low interest State and local bonds.)

- o Rationalizing allocation of capital financing responsibilities among Federal, State, and local governments, decentralizing responsibility for public capital investments (accompanied by Federal assumption of income maintenance costs). Full Federal funding leads to poor project selection, and anticipation of Federal aid deters prudent maintenance. (Vaughn)

- o Establishing State Infrastructure Banks that would pool State and Federal resources, especially for water and sewer and interstate highway projects. All Federal categorical grants related to water (including Corps of Engineers) should be available to these banks. A Federal Infrastructure Bank would only add another bureaucratic layer. (Vaughn)

- o Making Federal grants available to establish state infrastructure banks. An amendment to the Clean Water Act has been drafted, which would allow States to make loans instead of grants with their annual funding allocations. New Federal public works/infrastructure legislation could include provisions to capitalize State institutions such as the New Jersey Infrastructure Bank, a proposed Bank which could serve as a prototype for other States. (Kean)

- o Establishing a Federal Infrastructure Bank which could lend funds at subsidized rates. (Peterson)

- o Encouraging States to conduct their own assessments of capital needs. A nation-wide inventory of local capital stock condition is beyond the capacity of the Federal government to carry out. Even if it were possible, it would be less valuable than creating and supporting the capacity of States to conduct their own assessments. (Peterson)

- o Conducting a national public works inventory (provided for in the Surface Transportation Assistance Act of 1982 with $3 million authorized and appropriated), and preparing a national investment plan. (Goldmark)

- o Establishing a Federal Capital Budget. (Goldmark)

- o Federal coordinating of planning and budgeting procedures through the State governments. (Vaughn)

- o Relying less on categorical grants, and more on block grants. (Peterson, Padilla)

- o Streamlining Federal permit-issuing processes where State and local governments elect to complete capital programs without Federal assistance, such as dredging for port development. (Goldmark)

- o Acceleration of pure infrastructure research in engineering, economics and finance. (Goldmark)

"Pros" for a Federal Capital Budget (Goldmark)

The Capital Budget would:

- o facilitate setting goals and priorities on infrastructure programs
- o help determine responsibilites for infrastructure systems among the various levels of government
- o help promote the use of more capital planning at the State and local levels

"Pros" for State Infrastructure Banks (Kean)

The Banks would:

1) leverage public financial resources
2) provide the State with a reliable, continuing source of funds for long-term infrastructure investment
3) minimize the local impact of changes in State funding procedures
4) decrease the State's reliance on general obligation debt to finance capital expenditures.

"Pros" for Federal interest subsidies of taxable bonds (Vaughn):

- o Exemption of interest from personal income taxes is unnecessarily expensive. As much as one-third of the revenues lost to the Treasury are essentially subsidies to high-income individuals. A direct subsidy could be designed that would be cheaper in terms of revenues lost, and that would provide a greater borrowing subsidy to State and local governments.
- o A taxable bond would compete in a much broader capital market than a tax-exempt bond, and would therefore make it easier to market public debt.
- o The taxable bond market is more stable than the tax-exempt market, offering the public sector the opportunity for more stable long-term financing.

Highlights of Testimony of Mayors and other Witnesses

Mayor Richard S. Caliguri, Pittsburgh - January 28, 1983

There is no question we have to move quickly to get building before a disaster occurs. The job creating effects of public works can be very significant in the long term. To accomplish this objective we must provide the

financial foundation for a stable, predictable market for public works projects in the United States. Only the existence of such a market will encourage our basic industries to invest in new equipment and technology. These investments will yield jobs, lower prices for roads, bridges and pipes, and will reduce the potential inflationary impact of public works expenditures. A one-shot program is unlikely to yield the much needed private investment that a stable market would yield.

The city has identified bridge, street, and sewer system needs totaling $133.8 million. In addition, locks and dams in western Pennsylvania are deteriorating, with no relief in sight, although more tonnage passes along Point Park each year than travels through the Panama Canal. How do we address these needs?

1) Lobby for appropriations of the Surface Transportaion Act of 1982, authorized levels.

2) Make available long-term low interest bond financing for State and local governments

3) Reduce the pressing back-log of public works quickly, to avoid crisis and facilitate economic recovery, through a termporary grant program

4) Find a simple allocation mechanism which enables each region to define its own priorities

5) Cut across intergovernmental and jurisdictional boundaries when necessary. Programmatic barriers between different Federal and State programs may have to be broken down further.

Mayor Dianne Feinstein, San Francisco - January 28, 1983

If funded by a Public Works Jobs bill, San Francisco has a project that could put 550 San Franciscans back to work soon, as well as spur economic development at Fisherman's Wharf and ultimately create 1,000 permanent jobs. The project is a breakwater to protect Fisherman's Wharf from the wave action generated by the ocean passageway at the Golden Gate Bridge. The San Francisco

Port has expansive plans for revitalization of the Wharf but they depend on imminent construction of a breakwater.

Honorable Herman Padilla, Major of San Juan - January 28, 1983

We estimate that in the short-term, the city of San Juan will require a minimum of $10 million of investment to merely maintain and repair current infrastructure. In addition, we estimate $30 million is needed over the next 5 to 10 years to support infrastructure for newly developing areas of the city.

To be most effective, I believe the limited Federal resources must be targeted directly to major urban centers with unemployment rates exceeding 10 percent. A block grant format similar to HUD's Community Development Block Grants - would be one way. It should allow maximum flexiblity to local governments.

Funds should be granted directly to large cities without the impediments and delays caused by funneling funds through State governments. While enterprise zones have merit, alone they are not the answer.

Mayor Charles Royer, Seattle - January 28, 1983, (President, National League of Cities)

This discussion of infrastructure needs is necessary regardless of the unemployment situation. Over the last two years we have documented over $200 million in existing deficiencies in our roads, bridges, traffic signals, fire stations, office buildings, parks, and libraries. In addition, we face an additional $200-$300 million in improvements to provide new service for our changing economic base. (Revenue bonds are financing our utility systems.)

The maintenance, to prevent future back-logs, requires a commitment by Federal, State and local elected officials to dedicate funds for capital maintenance, repair, and replacement on an ongoing basis.

Sources of Seattle's capital improvement funds (percent)

	Local	State	Federal
1970	75	19	2.9
1983	71	6	23.0

This fall we will ask for a bond issue of approximately $90 million for our highest priority renovation needs. We anticipate Federal and State assistance to fund the additional $120 million.

The $6 billion Local Public Works program is a good example of the type of public works program needed today. Disbursement of funds was relatively quick. Within three years, 90 percent of the funds had been disbursed, the funds were not spent by local jurisdictions as quickly as some critics would have liked. Today, Seattle is prepared to spend the funds almost immediately.

The Federal government could assist the cities with their infrastructure problems by providing additional manpower for routine maintenance and minor repairs. A Federal program which includes a reasonable wage ceiling of $13,500, plus local supplementation, coupled with a 20-25 percent allocation for supervision and materials could be implemented immediately. The long-term unemployed could be put to work if we can use our existing job classifications and if the Federal legislation is sensitive to local wage scales. Preferably, Federal funds for both public works and public employment would go directly to the cities.

We could also benefit from a reconstituted "701" type planning program for capital budgeting.

CRS-7

Mayor Coleman A. Young, Detorit - January 28, 1983, (President, United States Conference of Majors)

Any program developed by this Committee should:

- o ecompass both infrastructure and jobs goals; and should go to the cities
- o start quickly
- o be essentially for rehabilitation
- o be flexible, allowing cities to adapt local programs
- o be targeted to distress
- o encourage long-term jobs in the private sector

Maior William Donald Schaefer, Baltimore - February 2, 1983

Baltimore needs an investment of $607 million to repair or replace water mains, storm drains, sewers, streets, and bridges. This represents crisis management of our public facilities - the capital improvement plan is annually diverted by crisis.

The W.P.A. - the last Federal initiative worked - employed 2 million people each year, and created public works. Total cost today would be $30 billion a year.

EDA encourages private job creation; needs expansion.

We lost over $60 million in CETA funds used to train and employ the low-income, unemployed. We had to lay off 3,000 public service employees last year.

Tools:

- o New targeted public works grants to cities
- o Federal low-interest loans to cities
- o Job training and re-training; public service jobs

Nancy Neuman, First Vice-President, League of Women Voters - February 2, 1983

It is imperative that any new jobs legislation not only contain require-

ments for nondiscrimination and affirmative action, with attention to enforcement as well, but also that outreach programs and supportive services be provided so that women will have equal access to and fair treatment in all jobs created by new employment programs.

Senator Arlen Specter, Pennsylvania - February 3, 1983

I urge the committee to include in its public works program several bills authorizing flood control and waterway measures in Pennsylvania, that will abate the deterioriation of our infrastructure and assist the many who are unemployed in Pennsylvania and throughout the Nation.

Richard Nathan, Princeton Unviersity - February 3, 1983

- Job creation can work - the Reagan "workfare" program shows this. Many people are required to accept jobs under this program that are precisely the same jobs that similar people had under CETA.

- Current Federal policy for employment and training has swung away from job creation and now stresses training. Most experts think this will not be targeted to the underclass, but will end up "creaming" - providing jobs for relatively well qualified people.

Other Relevant Points

- A public works initiative cannot be the mainstay of a comprehensive job creation strategy. We know relatively little about the specific skill requirements of different types of public capital projects. The Urban Institute and the American Society of Engineers will meet in March to discuss this question. (Peterson)

- The infrastructure problem will not be solved merely through the temporary infusion of Federal dollars. (Vaughn; Peterson, Caliguri) Neither will jobs be created in the short run by increased spending on public works. (Vaughn)

- This region's (Port authority of New York and New Jersey) need to spend $40 billion over the next decade to restore its infrastructure could create 90,000 jobs in construction, retail services and manufacturing. (Goldmark)

WILLIAM DONALD SCHAEFER, Mayor
OFFICE OF THE MAYOR • CITY OF BALTIMORE
250 City Hall, Baltimore, Maryland 21202, (301) 396-3100

In reply refer to: MO-19

March 18, 1983

The Honorable Robert T. Stafford
Chairman
Committee on Environment and
Public Works
Washington, DC 20570

Dear Senator Stafford:

Thank you once again for the opportunity to appear before your important Committee on the issue of Jobs and Public Works. The treatment of these twin issues of infrastructure and jobs are crucial to the future of Baltimore.

Enclosed please find my responses to the series of eight questions which you sent to me after my appearance before the Committee on Environment and Public Works.

If I can be of any further assistance to your Committee please do not hesitate to let me know.

Sincerely,

Mayor

and the spending of its money which was ours for transportational purposes, that we were thinking in terms of jobs without regard to the committee's intent to discriminate against either males or females. I would say the two members of this committee staff who would have the most influence on the writing of that legislation on this side are Jean Schrag who is here in the room and Kathleen Cudlipp who is the chief counsel for the entire committee.

When we are in the birthing of the program, I think they will want us to see women have equal opportunity for employment under it.

We thank you very much for being here.

Mrs. NEUMAN. Thank you.

Senator STAFFORD. The committee will stand adjourned until 9:30 tomorrow morning.

[Whereupon, at 12:24 p.m., the hearing was adjourned, to reconvene at 9:30 a.m., Thursday, February 3, 1983.]

[Statements supplied for the record and responses to written questions follow:]

INTRODUCTORY REMARKS

MAYOR WILLIAM DONALD SCHAEFER

INFRASTRUCTURE IS THE CITY OF BALTIMORE - OUR ROADS AND BRIDGES, OUR WATER SYSTEMS, OUR TRANSPORTATION SYSTEMS. BUT INFRASTRUCTURE IS ALSO OUR PEOPLE, OUR WORKFORCE, OUR NEIGHBORHOODS, SCHOOLS, CHURCHES, AND SOCIAL SERVICES. TO ME, INFRASTRUCTURE IS A WORD THAT MEANS EVERY SINGLE THING THAT CONTRIBUTES TO THE LIFE AND VITALITY OF BALTIMORE. SO IT IS IMPOSSIBLE FOR ME TO STAND HERE AND TELL YOU EVERYTHING ABOUT INFRASTRUCTURE IN MY CITY. I CAN TELL YOU, HOWEVER, THAT THERE ARE CERTAIN PARTS OF THIS COMPLICATED FABRIC THAT ARE COMING APART; THINGS THAT NEED OUR IMMEDIATE ATTENTION AND THINGS THAT ARE CRITICAL FOR THE FUTURE OF THE CITY OF BALTIMORE.

BEFORE I BEGIN, I WOULD LIKE TO SAY THAT I THINK WE, AS A COUNTRY, ARE AT A CROSSROADS. OUR BASIC INDUSTRIES ARE IN THE MIDDLE OF A REVOLUTION THAT IS CHANGING THEM FOREVER. TECHNOLOGY AND SHIFTING MARKETS ARE DISPLACING THOUSANDS OF PRODUCTIVE WORKERS; I AM TOLD THAT THERE ARE 22,000 DISPLACED WORKERS IN BALTIMORE ALONE. THESE INDUSTRIES WILL BE FORCED TO REBUILD FOR THE FUTURE. AND OUR CITIES AND COUNTIES WILL BE FORCED TO REBUILD FOR THE FUTURE AT THE SAME TIME. OUR MOST BASIC FACILITIES - ROADS, BRIDGES, WATER LINES, PUBLIC BUILDINGS - HAVE BEEN LEFT LARGELY UNTOUCHED FOR YEARS, AND, IN SOME CASES, FOR DECADES.

IT IS, THEREFORE, CRITICAL THAT WE ADDRESS THE NEEDS OF OUR CITIES AND COUNTIES NOW. BUT WE NEED A STRONG AND PERMANENT COMMITMENT FROM THE FEDERAL GOVERNMENT TO DO SO.

CITY OF BALTIMORE

DEPARTMENT OF PUBLIC WORKS

An Inventory of Currently Backlogged Projects Now Available for Construction

Prepared By
Department of Public Works
Bureau of Highways

WILLIAM DONALD SCHAEFER
MAYOR

RICHARD H. TRAINOR
DEPUTY DIRECTOR

GEORGE G. PERDIKAKIS
HEAD, BUREAU OF HIGHWAYS

FRANCIS W. KUCHTA
DIRECTOR OF PUBLIC WORKS

NOVEMBER 12, 1982

HIGHWAY AND BRIDGE FACILITIES

Capital

Bridge Replacement (see attached Plan #1-1)
Clifton Avenue Bridge
Contractor
Will replace an existing bridge deck in need of repairs to increase the safety aspects of the bridge.

ESTIMATED COST.....$ 1,000,000

* * *

Roadway Reconstruction (see attached Plan #1-2)
Hawkins Point Road - Chemical Road - Quarantine Road
Contractor
This improvement will upgrade a substandard roadway which has a high accident history and provide additional capacity to a heavily traveled commuter route.

ESTIMATED COST.....$6,000,000

* * *

Roadway Reconstruction (see attached Plans #1-3)
Wellesley Street - Strickland Street - Stafford Street
Contractor
Will replace a substandard roadway in a residential neighborhood to provide increased safety for motorists and pedestrians.

ESTIMATED COST.....$113,000

* * *

Roadway Reconstruction (see attached Plan #1-4)
Hollins Ferry Road - Marbourne Avenue - Rittenhouse Avenue
Contractor
Will increase the capacity and safety by widening a substandard roadway, thereby eliminating a hazardous condition.

ESTIMATED COST.....$115,000

* * *

Resurfacing (list available)
91 Miles City Wide (list available)
Preventative Maintenance Program for both residential and arterial streets to prevent further deterioration of existing paving and will result in an improved riding surface and increase safety characteristics of the streets.

ESTIMATED COST.....$26,000,000

* * *

HIGHWAY AND BRIDGE FACILITIES

Capital

Bridge Replacement (see attached Plan #1-5)
Poplar Grove over W.M.R.R.
Contractor
Will replace existing deteriorated bridge superstructure for safety concern.

ESTIMATED COST.....$ 800,000

* * *

Bridge Rehabilitation (see attached Plan #1-6)
Pennington Avenue Bridge over Cabin Branch
Contractor
To replace existing superstructures at curb lanes in order to increase traffic capacity.

ESTIMATED COST.....$150,000

* * *

Roadway Imrpovement (see attached Plan #1-7)
Ellicott Drive
Contractor
To improve traffic pattern and provide improved safety.

ESTIMATED COST.....$100,000

* * *

Maintenance

Curb Repairs
100,000 Linear Feet City Wide (see attachment 1-'A')
Additional City Personnel or Contractor
Will replace deteriorated curb, increase safety for pedestrians and improve drainage conditions of the street.

ESTIMATED COST.....$1,500,000

Utility Cut Repairs
36,000 Square Yards City Wide (see attachment 1-'B')
Additional City Personnel or Contractor
Will repair these utility cuts, restore the integrity of the paving, prevent future deterioration, improve the riding quality of the streets, and improve the safety of the motorists.

ESTIMATED COST.....$1,700,000

* * *

HIGHWAY AND BRIDGE FACILITIES

Maintenance

Pedestrian Ramp Construction
10,000 Ramps City Wide (list available)
Additional City Personnel or Contractor
By constructing these ramps, it will improve the quality of life for senior citizens and the handicapped.

ESTIMATED COST.....$ 900,000

* * *

Street Lighting System
10,000 Poles and Luminaries City Wide (list available)
Additional City Personnel or Contractor
Will improve safety by improving visibility, replacing old rusted steel poles, and will improve appearance of streets and neighborhoods.

ESTIMATED COST.....$1,000,000

* * *

Conduit Manholes and Handboxes
8,000 Manholes City Wide (list available)
6,000 Handboxes City Wide (list available)
Additional City Personnel or Contractor
Will conform to O.S.H.A. Safety Standards, improve riding surface of streets and are tamper-proof.

ESTIMATED COST.....$9,520,000

* * *

Pothole Repairs
A substantial amount of our street potholes are developed on a daily basis causing damage to vehicles, creating potential accidents, subsequent law suits, and eventual further deterioration of the pavement.

ESTIMATED COST (1 yr.).....$800,000

* * *

Bridge Deck Repairs
20 Locations (list available)
Additional City Personnel or Contractor
Will eliminate the need for steel plates, therefore, improving the riding condition and strengthen the bridge deck to prevent further deterioration.

ESTIMATED COST.....$200,000

* * *

HIGHWAY AND BRIDGE FACILITIES

Maintenance

Substructure Rehabilitation
City Wide (list available)
Additional City Personnel or Contractor
By repairing the abutments, wingwalls, and bearing pads. it will prolong the life of the bridges and increases safety.

ESTIMATED COST.....$1,000,000

* * *

Cleaning Scuppers
City Wide (list available)
Additional City Personnel or Contractor
Will improve the drainage condition on the bridges, ease hydroplaning and icy conditions and prevent road salt from damaging the bridge structures.

ESTIMATED COST.....$200,000

* * *

Complete repainting of Bridges
1. Guilford Avenue Bridge
2. Hanover Street Bridge over W.M.R.R.
3. Franklintown Road over Gwynns Falls
4. Sinclair Lane over Herring Run
Additional City Personnel or Contractor
Will prevent further deterioration and maintain roadway safety.

ESTIMATED COST

1. Guilford Avenue.....$100,000
2. Hanover Street.....$200,000
3. Franklintown Road.....$50,000
4. Sinclair Lane.....$50,000

* * *

Partial Repainting of Bridges
Cleaning and painting of all bearings and adjacent areas for 200 steel bridges
Contractor or Additional City Personnel
To prevent further deterioration and maintain roadway safety.

ESTIMATED COST.....$2,000,000

* * *

WATER MAINS AND FACILITIES

Capital

Improvements to Water Filtration
Montebello Water Treatment Plant, Hillen Road
Contractor
Rehabilitate deteriorated structure at filtration plant

ESTIMATED COST $10,450,000

* * *

MAINTENANCE

Storm Water Inlet Repair and Relocation
City Wide (List Available)
Additional City Personnel or Contractor
Reduce incidents of flooded streets and basements

ESTIMATED COST . . . . . $ 1,250,000

* * *

Street Cuts Utility - Water/Waste Water
Baltimore City (List Available)
Additional City Personnel or Contractor
Safer Roads

ESTIMATED COST . . . . . $ 1,260,000

* * *

Cleaning and Lining Water Mains
Baltimore City (Locations Available)
Contractor
Improved fire protection; better water quality

ESTIMATED COST . . . . . $ 5,000,000

* * *

Watershed Bridges
Upland Watersheds (Plans Available)
Contractor
Repair unsafe Watershed Bridges

ESTIMATED COST $10,000,000

WASTE WATER FACILITIES

Capital

Paint and sandblast four (4) secondary clarifiers
Patapsco Treatment Plant
Contractor
Prevent deterioration, increase life, maintain effluent quality

ESTIMATED COST . . . . . $ 50,000

* * *

Grit Conveyor System
Patapsco Treatment Plant
Contractor
Improve operation to allow all grit to be incinerated instead of landfilling

ESTIMATED COST . . . . . $ 100,000

* * *

Bulkhead Improvement
Patapsco Treatment Plant
Contractor
Safety, soil conservation, sediment control

ESTIMATED COST . . . . . $ 50,000

* * *

Modification of Walker Bridges connecting primary tanks
Patapsco Treatment Plant
Consultant
Improve efficiency of operationg and reduce maintenance cost

ESTIMATED COST . . . . . $ 125,000

* * *

Methane Gas Scrubber
Back River Treatment Plant
Contractor
Removal of hydro sulfied allowing better utilization of methane gas, energy savings

ESTIMATED COST . . . . . $ 175,000

* * *

WASTE WATER FACILITIES

Capital

Demolish and remove abandoned open digester tanks
Back River Treatment Plant
Contractor
Safety, make area available for necessary expansion of plant

ESTIMATED COST . . . . . $ 100,000

* * *

Chlorine Facility
Back River Treatment Plant
Contractor
Water quality to meet M.D.P.E.S.

ESTIMATED COST $4,000,000

* * *

Shoreline improvements
Back River Treatment Plant
Contractor
Safety, soil conservation, sediment control, and odor control

ESTIMATED COST . . . . . $ 60,000

* * *

Hydro Electrical Plant
Back River Treatment Plant
Contractor
Energy conservation, reduces operating cost

ESTIMATED COST $4,500,000

* * *

Computerized Central Metering System
Back River Treatment Plant
Contractor
Power consumption savings, water quality improvement, reduced operating costs

ESTIMATED COST . . . . . $ 500,000

* * *

WASTE WATER FACILITIES

Capital

Return sludge pumps and piping for secondary settling tanks no. 3 and 4
Back River Waste Water Treatment Plant
Contractor and Consultant
Improve treatment to original design capacity

ESTIMATED COST . . . . . $ 25,000

* * *

Improvements for primary clarifiers nos. 1 and 2 including additional scum arms
Back River Waste Water Treatment Plant
Contractor and Consultant
Improve treatment by removal of scum which creates operation and maintenance problems

ESTIMATED COST . . . . . $ 250,000

* * *

Clean up and rehabilitation of existing dryer building for use as a maintenance facility
Back River Waste Water Treatment Plant
Contractor and Consultant
Operations and construction will require temporary storage and office space

ESTIMATED COST . . . . . $ 150,000

* * *

Rehabilitation of existing dryer building boiler facilities for present and future use
Back River Waste Water Treatment Plant
Contractor and Consultant
Operation and maintenance could use for storage and office space. Boilers are 30 years old and only one is operational. The oil backup system is out of date.

ESTIMATED COST . . . . . $ 30,000

* * *

Rehabilitation of an existing unused entrance to the plant or construction of a new entrance and road.
Back River Waste Water Treatment Plant
Contractor
Operation and construction will require an alternative access during planned construction to avoid interruption of traffic.

ESTIMATED COST . . . . . $ 200,000

* * *

WASTE WATER FACILITIES

Capital

Computerized Maintenance Management System
Back River Treatment Plant
Contractor
Reduced operating costs and improved plant efficiency

ESTIMATED COST . . . . . $ 500,000

* * *

Maintenance

Paint and sandblast four (4) secondary clarifiers
Patapsco Treatment Plant
Contractor
Prevent deterioration, increase life, maintain effluent quality

ESTIMATED COST . . . . . $ 50,000

* * *

Heating Plant Replacement
Eastern Avenue Pumping Stations
Contractor
Heating to prevent freezing of pipe lines

ESTIMATED COST . . . . . $ 45,000

* * *

Paint equipment
Eastern Avenue Pumping Station
Contractor
Prevent deterioration

ESTIMATED COST . . . . . $ 15,000

* * *

Replace lighting at existing humus tanks
Back River Waste Water Treatment Plant
Contractor
Improve operations and safety around open tanks

ESTIMATED COST . . . . . $ 70,000

* * *

WASTE WATER FACILITIES

Capital

Construction of a frame building as a permanent field engineering center
Back River Treatment Plant
Contractor
Required for inspection and project management staff during multiple construction contracts

ESTIMATED COST . . . . . $ 60,000

* * *

Changes to valves and piping in activated Sludge Control Building
Back River Waste Water Treatment Plant
Contractor
Improve treatment reliability.

ESTIMATED COST . . . . . $ 30,000

* * *

Construction of a frame building as a maintenance center

Back River Waste Water Treatment Plant
Contractor and Consultant
Construction and Maintenance will require an electrical shop

ESTIMATED COST . . . . . $ 100,000

* * *

Demolition and removal of some of the buildings which will be abandoned by the Maintenance Department.
Back River Waste Water Treatment Plant
Contractor
Will establish an open area for future process buildings.

ESTIMATED COST . . . . . $ 50,000

* * *

Modification and improvement to various facilities at Patapsco W.W.T.P.
Patapsco Waste Water Treatment Plant
Consultant
Improvement of safety, operation and maintenance reliability.

ESTIMATED COST . . . . . $ 200,000

* * *

SANITARY SEWERS

Capital

Sanitary Force Main
Broadway from Ellsworth Street to Oliver Street (Plans Available)
Additional City Personnel
Reconstruction to eliminate maintenance problems

ESTIMATED COST $112,000

* * *

Sanitary Sewer
Lanvale Street and Penn Central Railroad (Plans Available)
Additional City Personnel
Remove sewage from storm water drain

ESTIMATED COST $140,000

* * *

Sanitary Sewer
Cokesbury Avenue (Plans Available)
Additional City Personnel
Remove sewage from storm water drain

ESTIMATED COST . . . . . $ 13,000

* * *

Sanitary Sewer
Lovegrove Street (Plans Available)
Additional City Personnel
Remove sewage from storm water drain

ESTIMATED COST $224,000

* * *

Sanitary Sewer
North Avenue (Plans Available)
Additional City Personnel
Remove sewage from storm water drain

ESTIMATED COST . . . . . $ 75,000

* * *

Sanitary Sewer
East and West of Janney Street from Fayette Street to Fairmount Avenue
Additional City Personnel
Elimnate Combined System

ESTIMATED COST $324,000

SANITARY SEWERS

Capital

Sanitary Sewer
Belair Road
Additional City Personnel
Eliminate Sewage from storm water drain

ESTIMATED COST . . . . . $ 45,000

* * *

Sanitary Sewer
Pimlico Road
Additional City Personnel
Eliminate Septic tanks

ESTIMATED COST $210,000

* * *

Sanitary Sewer
Vicinity of Gwynns Falls and Annapolis Road
Additional City Personnel
Improve Flow Conditions

ESTIMATED COST $784,000

* * *

Maintenance

Sanitary Sewer
Mount Olivet Lane, South of Penn. Central Railroad (Plans Available)
Additional City Personnel
Eliminate Combined System

ESTIMATED COST . . . . . $ 30,000

* * *

Sanitary Sewer
34 Miscellaneous Locations (List and Plans Available)
Additional City Personnel
Eliminate maintenance problems

ESTIMATED COST $9,000,000

* * *

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SANITARY SEWERS

Maintenance

Sludge Removal
Back River Waste Water Treatment Plant
Additional City Personnel
Provide area for future construction

ESTIMATED COST $2,085,000

STORM DRAIN

Capital

Storm Drain
Merrymount Road, north of Edgevale Road
Contractor
Pick up drainage

ESTIMATED COST . . . . . $ 50,000

* * *

Storm Drain
South Bend Road, Rogers Avenue, and Wexford Road
Contractor
Pick up drainage at intersecting streets and sump

ESTIMATED COST . . . . . $ 288,000

* * *

Storm Drain
Vicinity of Bancroft Road and Pearce Avenue (Plans Available)
Contractor
Pick up drainage from ends of two streets

ESTIMATED COST . . . . . $ 100,000

* * *

Storm Drain
Right-of-way north from Preston, east of Waverly Press Building (Plans Available)
Contractor
New 24" storm drain

ESTIMATED COST . . . . . $ 116,000

* * *

Storm Drain
Howard Street from Baltimore Street to Franklin Street (Plans Available)
Contractor
New storm drains, various sizes to replace failing drains

ESTIMATED COST . . . . . $ 175,000

* * *

STORM DRAIN

Capital

Storm Drain
Kenwood Avenue, Orleans Street, and Lakewood Avenue (Plans Available)
Contractor
Relief drain to relieve overloading of existing systems

ESTIMATED COST . . . . . $ 4,000,000

* * *

Storm Drain
Janney Run (Plans Available)
Contractor
Relief drain to relieve overloading of existing systems

ESTIMATED COST . . . . . $ 2,750,000

* * *

Storm Drain
Southeast side of B & O Railroad from Atlantic Avenue to Harriet Avenue
Contractor (Plans Available)
Relief drain to relieve overloading of existing systems

ESTIMATED COST . . . . . $ 2,000,000

* * *

Storm Drain
Dorithan Road from Bareva Road to Edgewood Road
Contractor
Pick up drainage at several intersecting streets

ESTIMATED COST . . . . . $ 250,000

* * *

Storm Drain
Bedford Place, Overhill Road, and Charles Street
Contractor
New storm drain to relieve flooding at sump

ESTIMATED COST . . . . . $ 244,000

* * *

Storm Drain
Belair Road from Woodlea Avenue, north 283 ft.
Contractor
New storm drain to replace failing drain

ESTIMATED COST . . . . . $ 51,000

SOLID WASTE FACILITIES

Capital

Hawkins Point Landfill Phase I Excavation
Quarantine Road and I-695
Contractor
Provides Immediately needed landfill capacity

ESTIMATED COST . . . . . $ 2,100,000

* * *

Maintenance

Monument Street Landfill Stabilization
Monument and Madison Streets
Contractor
Prevent possible health and safety hazards to community;prevent washouts of cover material;decrease rodent population

ESTIMATED COST . . . . . $ 565,000

* * *

Bowley's Lane Landfill Stabilization
Bowley's Lane and I-95
Contractor
Prevent possible health and safety hazards to community;prevent washouts of cover material;decrease rodent population

ESTIMATED COST . . . . . $ 150,000

* * *

Borrow Pit adjacent to Pennington Avenue Landfill
Pennington Avenue and Aspen Street
Contractor
Prevent erosion and sediment transportation

ESTIMATED COST . . . . . $ 450,000

* * *

Pennington Avenue Landfill Drainage Ditches
Pennington Avenue and Aspen Street
Contractor
Provide positive drainage towards stable area;avoid damage to adjacent properties

ESTIMATED COST . . . . . $ 30,000

* * *

SOLID WASTE FACILITIES

Maintenance

Woodberry Quarry Methane Gas Venting
Woodberry Quarry
Contractor
Improve public safety

ESTIMATED COST . . . . . $ 130,000

* * *

Cold Spring Lane Landfill Stabilization
Cold Spring Lane and Greenspring Avenue
Contractor
Prevent possible health and safety hazard to community; prevent washouts of cover material; decrease rodent population

ESTIMATED COST . . . . . $ 135,000

* * *

TOTAL ESTIMATED COST $3,560,000

EROSION CONTROL PROGRAM

Capital

Stream bank restoration and utility protection
Jones Falls (See attached plan #7-1)
Contractor
Restoration of eroded stream banks and bottoms to protect utility crossings, roadways, bridges, and other adjacent properties from the distructive forces, which naturally occur during heavy rains.

ESTIMATED COST . . . . . $ 500,000

* * *

Stream bank restoration and utility protection
Maiden's Choice Run (See Attached plan #7-2)
Contractor
Restoration of eroded stream banks and bottoms to protect utility crossings, roadways, bridges, and other adjacent properties from the distructive forces, which naturally occur during heavy rains.

ESTIMATED COST . . . . . $ 400,000

* * *

Stream bank restoration and utility protection
70 locations along the streams within the City (List available)
Additional City Personnel or Contractor
Stream bank protection provides for the restoration and protection to properties that experience high water and/or flooding which causes property damage, property loss, and sediment transportation that ultimately contributes to the siltation of the Baltimore Harbor and Bay. Additionally, these improvments provide for a more efficient control of storm water during heavy rain falls.

ESTIMATED COST . . . . . $ 7,100,000

* * *

TABLE ONE

Highway and Bridge Facilities	$53,498,000
Water Mains and Facilities	$27,960.000
Waste Water Facilities	$11,435,000
Sanitary Sewers	$13,042,000
Storm Drains	$10,024,000
Solid Waste Facilities	$ 3,560,000
Erosion Control Program	$ 8,000,000
TOTAL	$127,519,000

Testimony of

Peter C. Goldmark, Jr.

Good morning, Mr. Chairman, members of the committee. I am Peter C. Goldmark, Jr., Executive Director of the Port Authority of New York and New Jersey. I welcome this invitation to speak before you about the mounting problem of public works decay and the benefits, including employment opportunities, offered by its remedy.

You may wonder why the Port Authority is so concerned. Our reasoning is really quite simple. As a bi-state agency charged with the development and promotion of the 1,500 square mile New York-New Jersey port district, we have $4.5 billion invested in twenty-six transportation, terminal and trade facilities which we operate and maintain. The operation of our own facilities and our ability to promote and help develop our region is dependent on the proper functioning of the region's infrastructure systems. Studies that we and others have performed concerning our region's infrastructure have revealed a disturbing pattern of net disinvestment in these systems and a consequent physical deterioration. So we at the Port Authority have begun to sound the infrastructure alarm and examine the causes of the problem and pose strategies for its correction. We have an organizational unit with infrastructure renewal as its full-time responsibility and have been active on this issue in our region and beyond. (In this regard, I was particularly pleased to agree to serve as vice chairman of a steering committee for a national infrastructure study sponsored in part by the Joint Economic Committee and chaired by JEC's former chairman, Henry Reuss.)

Before we talk about some of the positive steps that we think government can take, let me relate to you some of the things we have learned about infrastructure conditions and some of the reasons we think this came about: We found out in our region that two aging water tunnels that carry virtually all of New York City's water supply have never been nor can be dewatered and inspected; we noted that remedial measures on four bridges

across the East River will cost over $500 million; we discovered that sewers and pipes in several New Jersey cities are replaced on a 400-800 year cycle; we learned that there are 600 or more "orphan" bridges in both states that were built and subsequently abandoned by the railroads. We have estimated that at least $40 billion must be spent in our region over the next decade to deal with these and other problems on our highways, bridges, mass transit, water and sewer systems. As you are aware, conditions in our region are replicated elsewhere in our nation, as the media reminds us on a nearly daily basis. National estimates of total infrastructure need run from a trillion to three trillion dollars.

As to how this decline came about, we feel that the overriding cause has simply been a lack of public works investment -- both the deferral of maintenance and the failure to renew aging capital stock appropriately. Government has historically treated infrastructure facilities differently than the private sector treats its capital plant; it has generally failed to set realistic prices for its infrastructure services, whether it be in the form of direct user fees (water and sewerage) or in the sufficient allocation of tax revenues (highways and bridges). Intent on providing such services at the lowest cost, government has followed pricing policies that barely covered the costs of operation and rarely made any provisions for depreciation. In the end, we are left with deteriorated facilities, skyrocketing operating costs, poor service, a large replacement bill and no depreciation reserves to fund it. Related to this have been the ever-increasing demands for human services that faced every level of government, with infrastructure investment given secondary consideration. In fact, data reveals that while GNP increased slightly in real dollars most years over the past

decade, investment in infrastructure in real dollars during this period declined virtually every year. Thus, in 1971, infrastructure investment represented 1.5% of GNP; in 1981, investment in this same area only accounted for .75% of GNP -- a 50% drop. Statistical evidence for our New York-New Jersey region reveals an even lower rate of infrastructure investment -- from 1.3% of GRP in 1970 to .63% in 1980. Our studies indicate that this current level of infrastructure investment is less than half of what is required.

So, now, what do we do about this situation? How can we prudently raise that level of capital investment to the point where we are meaningfully addressing the backlog of needed projects and providing for the capital framework to support our current and anticipated economic conditions?

I would like to propose several courses of action for your consideration.

First, we need to have a better knowledge of the true extent and condition of our national public infrastructure assets. The legislation proposed by Senator Moynihan and others last year to conduct a national public works inventory and develop a national investment plan represents the direction in which we must move. I was pleased to note that the recently passed Surface Transportation Assistance Act of 1982 provided $3 million for just such a national assessment. I applaud Congress' initiative in this area, and I trust this and other such studies will give us the information that we need to make the necessary investment decisions. I also hope it will spur similar assessments at the state and local level and make use of work already accomplished. Related to this, we need to accelerate the rate of pure infrastructure research in such areas as engineering, economics and finance. We need to develop new

materials that are stronger and last longer, like the recent developments of high density concrete and epoxy-coated steel reinforcing bars. The implementation of reconstruction techniques, such as inserting plastic liners through old pipes so that they can be repaired without making costly and disruptive excavations, should be encouraged and others developed. A need for infrastructure research on rebuilding standards is also required, as is the need to quantify the potential for reducing costs through the application and development of new technology. I cite the work already accomplished at MIT, the University of Colorado, the Council of State Planning Organizations and the Urban Institute.

Second, we must come to some conclusions about what role the federal government will play in sustaining and renewing our infrastructure systems nation-wide. The federal capital budget idea contained in last year's Federal Capital Investment Act, on which I had the privilege of testifying last September, could well prove to be a useful vehicle to debate this issue. A federal capital budget would facilitate setting goals and priorities on infrastructure programs and also contribute to determining responsibilities for infrastructure systems among the various levels of government. It also might help promote the use of more capital planning at the state and local levels. The absence of national goals in several of the infrastructure areas and the blurred financing responsibilities created by the diffuse discussions and arguments surrounding "New Federalism" have inhibited the national necessity to move on massive renewal programs. In this regard, I think we must accept as a given the large presence of the federal government as a provider of public works capital, whether in the form of grants, loans or federally-directed construction programs. The historic involvement of the federal government in public works construction has been both necessary and desirable. To diminish or eliminate federal

involvement in such programs as highways and bridges, sewage treatment and mass transit, particularly at a time when state and local governments are under such fiscal stress, does not make good economic or political sense. Well-functioning systems of public works serve national ends and provide for our national economic well-being. That is not to say, however, that there is not a large local role in public works investment. We in this region accept the limitations of federal funding and are prepared to do much on our own. I would note the massive renewal program initiated by the Metropolitan Transportation Authority in this regard, the state-wide water authority established in New Jersey and proposed in New York, the infrastructure bank proposal of Governor Kean in New Jersey, as well as the regional development bank we have suggested. What we need are balanced and defined roles and stabilized investment.

This brings me to my third point, which I think relates most directly to the focus and concern of these committee hearings. We may at this time want to structure a new federal program that responds to the dual concern of public works decay and unemployment. We must do this carefully. Much of the unemployment we are experiencing today is cyclical -- a response to our depressed economy. Infrastructure deterioration, on the other hand, has developed over decades. Its correction require policies of long term duration. A counter-cyclical public works program certainly cannot and should not be advocated as the solution to our infrastructure woes and in any way substituted for long-standing efforts. But, such a program will obviously produce jobs. Moreover, if judiciously crafted, it could serve to accelerate the capital renewal process that we know is required. The timing of this program is particularly important in relation to the unemployment question. Evidence points to a fair amount of slack in the economy during the next several years, which should disappear towards the

end of the 1980s. We should consider taking advantage of this slack by front-loading our infrastructure programs -- trying to accomplish as much as we can to make use of resources that are idle now but may not be idle later. This limits the danger of infrastructure spending being inflationary and gives us a fast start in reducing the costs imposed by deterioration. At the same time, it provides an opportunity for Congress to deal with the near-term unemployment problem.

Fourth, beyond what we have discussed already, there may be a number of steps the federal government can take that would encourage state and local governments to raise and spend more of their own funds for infrastructure renewal programs. Let me note several of these:

- o Greater continuity and flexibility in federal grant programs would allow state and local government to be more creative in the use of these funds. I cite the revolving fund concept embodied in Governor Kean's infrastructure bank that would combine federal monies with other local resources; I would urge Congress to provide the modifications to the Clean Water Act and other federal programs to permit this use.
- o Congress should also consider ways of making user fees more attractive to state and local jurisdictions, as such fees are more readily accepted by the public and can be used to support large scale capital programs. One possibility could be to permit individuals to have the same federal income tax deduction for user charges levied by local government as they do for property and other taxes.
- o In another vein, capital planning and project execution at the local level would be substantially facilitated by the increased use of multi-year Congressional authorizations and greater

consistency and reliability in the appropriations process.

- The federal government should also consider streamlining whatever permitting processes may be required when state and local government elect to complete capital programs without federal assistance. Dredging associated with port development comes to mind in this regard.
- Lastly, the federal government should help state and local governments find the new low-cost capital needed to support the doubling or tripling of annual spending required to restore the nation's public infrastructure. Congress may want to consider ways to augment the financial resources of the tax-exempt bond market by tapping the larger resources of the taxable bond market. One way to do this is to make infrastructure projects attractive investments for private corporations by providing the same tax benefits for these infrastructure investments as are already available for investments in private plant and equipment. This would require changes in the federal tax code to make it possible for a sizeable portion of the nation's infrastructure needs to be addressed through joint ventures or partnerships between private corporations and public agencies. The corporation would raise the capital needed (perhaps from pension funds and the Eurodollar market) and receive a full range of tax benefits. The public agency would operate the facility and assure the revenue stream needed to make the project feasible in financial terms. The tax benefits would result in financing costs that are competitive with, or even lower than, tax-exempt rates while still permiting the corporation to earn an adequate return. Such public/private partnerships can be a useful alternative to tax-exempt financing of infrastructure.

Fifth, related to points raised above, changes can be effected to several federal grant and construction programs to make them more efficient and more equitable. I raised the following points for the committee's consideration:

- o It is common knowledge in most state and local government circles that federal assistance in various construction grant programs can often double the cost of projects. I submit that this need not be. But I also laud the provision in the recently enacted Surface Transportation Act to speed up the processing of federal-aid highway projects.
- o Harbor and channel dredging as well as multi-state water projects accomplished by the Corps of Engineers often take up to 25 years from conception to completion. I think all would agree that this is an excessive time period that results in greatly escalated costs.
- o Recently, the MTA negotiated a low-cost contract for Canadian subway cars that required no federal funding whatsoever. However, the U.S. Department of Commerce is considering penalizing the MTA for this initiative, to the point where the cost savings may be wiped out completely. Is this in the nation's best interest?
- o Nearly 70% of all Corps of Engineers water projects between 1950 and 1975 were accomplished in the South and West; only 6% and roughly $2 billion for such projects were spent in the Northeast. I submit that this is not an equitable distribution of federal resources. The Domenici-Moynihan proposal in the last session of Congress that provided for formula grants to the states for water planning and construction appropriately addressed this bias.

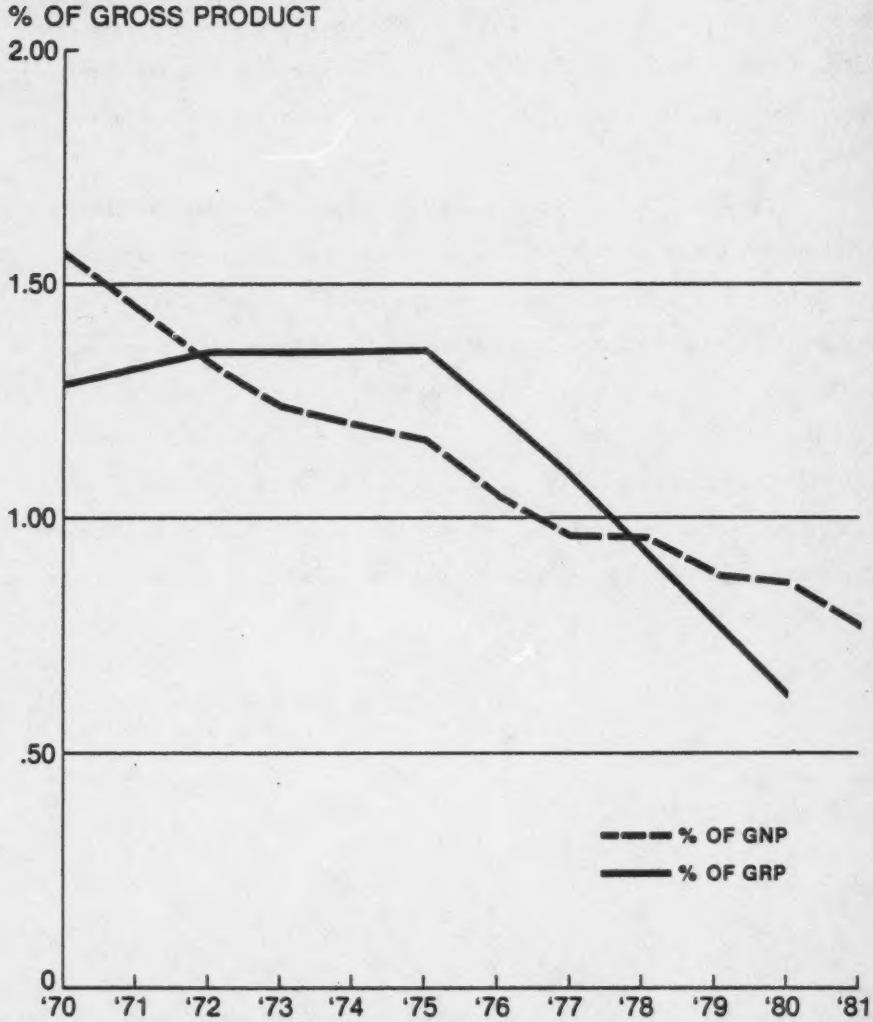
A sustained program to rebuild our nation's public works is absolutely necessary to ensure the health of this nation. Not only will this rebuilding effort sustain our economic and social needs, which are increasingly inter-dependent, but it will provide direct and secondary employment opportunities for millions of Americans. Moreover, a carefully crafted counter-cyclical program, such as we have briefly touched upon today, could materially help to alleviate our current acute unemployment problem.

Consider, for example, my region's need to spend $40 billion over the next decade to restore its public infrastructure. If we were to meet these needs in equal annual increments, more than doubling the present level of investment, it would result in the creation of an additional 90,000 jobs in the areas of construction, retail services, and manufacturing. There would be an immediate 15% reduction in the number of people unemployed here and a sustained impact in economic activity. More importantly, we would be accomplishing something that we must do, that is, rebuild those public works systems that provide the platform upon which our economy and our prosperity rests.

18-287 O - 83 - 9

Trends in Infrastructure Expenditures: Region Compared to Nation

(Figured in 1972 Dollars)



SOURCES: CHASE ECONOMETRICS; REGIONAL PLAN ASSOCIATION; U.S. DEPARTMENT OF COMMERCE

THE PORT AUTHORITY OF NY & NJ

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Peter C. Goldmark, Jr.
Executive Director

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February 25, 1983

Senator Robert T. Stafford, Chairman
Committee on Environment and Public Works
United States Senate
Washington, D.C. 20510

Dear Senator Stafford:

I was pleased to be able to testify before the Committee on Environment and Public Works at the hearing held on February 2, 1983 concerning the problems of public works decay and unemployment. I found the hearing to be a valuable experience.

I have attached my responses to the eight questions that you posed in your letter of February 4, 1983. I hope you will find them of use.

We look forward to continued work with the Committee.

Sincerely,

Peter C. Goldmark, Jr.
Executive Director

Attachment

Answers to
Questions for the Record for the Infrastructure/Jobs Hearings

Q1. What suggestions would you have to reshape the overall Federal public works program -- dams, highways, sewage treatment, public buildings, etc. -- to achieve more without any increase in Federal outlays?

A1. The key to reshaping the overall federal public works program is flexibility. As I stated in my previous testimony, flexibility as well as continuity in federal grant programs would allow state and local governments to do more with the funds that they receive. I would suggest that greater use be made of block grants, wherein a local entity can spend federal funds in the most effective way and in the most needy areas. Additionally, where program categories do exist in grant programs, grantees should be allowed to shift monies more easily from one program to another. Fewer federal reviews and less cumbersome bidding and procurement procedures would speed up project construction and mitigate costs associated with delay. Serious thought might be given to liberalizing engineering design standards or improving waiver procedures associated with these standards to permit more realistic and less costly construction efforts. A consistent and constant pipeline of funds also permits localities to effect long range project planning and effectively allocate their limited resources. In addition, creativity in the use of federal funds in the state and local levels should be encouraged. A local determination on whether to use federal grant funds as grants or as recyclable loans, as per Governor Kean's infrastructure bank proposal, could well result in more effective use of the limited funds that are available. Finally, as discussed in my testimony, Congress may want to consider adjustments to the federal tax code that would result in greater private sector involvement in infrastructure renewal -- changes that would either encourage more private sector investment or might effect workable private/public partnerships.

Q2. To what degree are local priorities dictated by the availability of Federal dollars? How can that be overcome?

A2. My feeling is that local priorities in the infrastructure area are heavily influenced by the availability of federal dollars. In the past, the construction of new highways over the rehabilitation of existing highways has been favored because federal programs paid for the former and not for the latter; in the early days of the UMTA program, we started many new rail systems or extended existing rail systems rather than improve those deteriorated facilities already in place. Recent modifications to both the highway and transit programs as well as a better understanding of existing conditions in these areas has helped to correct this bias, but it still exists. Moreover, the absence of a federal program in a key infrastructure area, as in the case of urban water supply and distribution, has discouraged local areas from initiating many of the costly rehabilitation efforts that are required. As to how this bias can be overcome, the key again is flexibility. If local government is to invest federal funds in the areas that it feels is most important, then it must be able to target available funds into those areas. This might mean creating block grant programs covering infrastructure, which would allow localities and states the flexibility of assigning those funds according to local needs and priorities. For example, within one infrastructure category, water systems, a block grant program might allow some communities to target funds to expanding supply while other localities may desire to target funds

for rehabilitating their water distribution newtwork. Because the needs in various portions of the country differ, this type of program would permit the flexibility to address local needs rather than forcing needs to fit a particular program.

Q3. How can the Federal government establish priorities in public works spending?

A3. The first step is to know what the condition is of our infrastructure systems nationwide. Thus, I would advocate the initiation of the infrastructure needs assessment as proposed in several pieces of legislation last year. Concomitant with this effort, Congress should seriously consider the adoption of a federal capital budget. Having the raw condition data and putting together a national capital budget that addresses these conditions will force Congress and the executive branch to make the hard decisions, but at least informed decisions, on how available resources are spent. In this process the Congress may want to develop some specific tools: e.g. Congress may want to adopt specific policy objectives for each public works component, it may also want to accomplish cost benefit analysis (at least at the macro level), or it may wish to focus on the job generating impact of certain federal programs if that is the major concern of the day. Certainly, any large scale examination of the total public works needs of our nation, regardless of how it is accomplished, would be a major improvement over the piecemeal effort that we employ today in dealing with national federal capital investments.

Q4. How can a public works job program reach out effectively to unemployed steelworkers, unemployed autoworkers, low-income youths, unemployed women?

A4. As to how public works job programs can be structured to benefit various components of our national work force, I can only offer the Committee some educated guesses. I think we can certainly say that steelworkers would benefit from any major increase in public works programs; bridges are constructed of steel, steel reinforcing bars are present in many highways, pipes are constructed of steel and iron. Obviously, as well, manufacturers of cement aggregate compounds, asphalt and other construction materials all would benefit from a public works program, as of course would construction workers who would build these facilities. A way to benefit the auto industry and its autoworkers might be to provide federal funds specifically for replacement of public works vehicle fleets; virtually every community utilizes this vehicular equipment and is constantly facing the need to replace equipment on hand. Regarding low-income youths and unemployed women, I would hope that the construction generated by public works programs and the secondary impacts of these capital expenditures would produce significant employment opportunities. Specifically, however, unemployed youths and women might be used in the accomlishment of the national needs assessment alluded to above, which would at least result in some temporary opportunities.

Q5. What kind of jobs programs will reach the unemployed in the most effective way? What programs, in your judgement, have worked and why? Which programs have failed and why?

A5. In my opinion, the most effective jobs programs for the unemployed are those specifically associated with job training. These persons are most likely to continue employment after a federal jobs program has terminated because they have acquired specific and desirable skills. I would also state that job programs that meet bona fide needs are also those judged to be most successful by the

workers employed and by the public. Thus, specific job training employment programs under CETA, especially those associated with the Private Industry Council, have been thought to be successful. Programs that accomplished the specific construction of public facilities, such as those under the Works Project Administration (WPA) in the 1930's and the Local Public Works (LPW) programs of the 1970's also are generally viewed as success stories. Programs that simply put workers on public payrolls for a limited period of time and that were used to accomplish routine governmental functions have probably been the least successful job programs, especially when termination of these programs meant termination of employment for the workers.

Q6. It is generally agreed that we will see high rates of unemployment through the next two to four years, even with an improving economy. What would be the most rapid means to put those currently low-skilled, low-wage unemployed workers (who may be bypassed by the economic recovery) back to work and off the unemployment rolls?

A6. While an unattractive long-term method of dealing with the stubborn problem of unemployment, public service employment programs do have the virtue of being easily and rapidly implemented. For those workers with limited skills and accustomed to low wages, public service programs certainly provide an attractive alternative to unemployment compensation and welfare. With the severe constraints placed on most local budgets, many municipal service functions are severely understaffed, resulting in the unattractive consequences we see about us, particularly in urban communities. In addition to the more obvious problems of littered streets and rundown park facilities, we have less visible problems of clogged sewers and drain pipes, broken guard rails and rusted bridge supports. An immediate infusion of public service workers through a federal jobs program could be used to address these backlogged problems of infrastructure maintenance. Such a program could conceivably be continued for a long enough period to where the economy improves and employment opportunities arise in other areas. In the meantime, society and the workers involved would all be better off.

Q7. How likely is it that public service employment jobs will serve as stepping stones to unsubsidized employment? What improvements might be made to re-energize this program?

A7. Frankly, I don't think that it is likely that public service employment jobs will lead in any large degree to unsubsidized employment. As described above, such public service employment will both benefit society and the unemployed worker and may have the additional benefit of providing the worker with the necessary work habits needed for further employment. Unsubsidized employment is likely only to come with improvements in the overall economy. We can hope that an employment program of public service jobs would help fill the unemployment gap that will probably be with us until the economy turns up.

Q8. Some seven million women are the heads of families today. The unemployment rate for female heads of households is 12%. What efforts could be made to target women (and other groups of high unemployment) in a federal jobs creation program?

A8. Rather than devise a specific program to impact upon the high unemployment rate among female heads of households (or other specific disadvantaged groups for that matter), I would rather see the removal of any barriers which might

exclude women from certain forms of employment. There is no reason why women can't take advantage of many forms of public works employment. At the Port Authority, we are proud of our success in encouraging women to participate in non-traditional job opportunities. As mentioned above, the job opportunities presented by the proposed infrastructure needs assessment effort might be an ideal way for full or part-time work for unemployed women, but creating specific jobs catering to one segment of our unemployed populace may cause more problems than it solves.

League of Women Voters of the United States • 1730 M Street, N.W. Washington, D.C. 20036 Tel. (202) 296-1770

TESTIMONY BEFORE THE
SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
ON
EMPLOYMENT
BY NANCY NEUMAN, FIRST VICE-PRESIDENT
LEAGUE OF WOMEN VOTERS OF THE UNITED STATES
FEBRUARY 2, 1983

I am Nancy Neuman, First Vice-President of the League of Women Voters of the United States (LWVUS). Thank you for this opportunity to present the common concerns shared by the LWVUS and the other organizations that are represented on this panel on the subject of employment--more specifically--the employment needs of women in these difficult economic times.

The LWVUS is a volunteer citizen education and political action organization made up of more than 1,300 state and local Leagues in all 50 states, the District of Columbia, Puerto Rico and the Virgin Islands. From its inception in 1920, the League, as you no doubt know, has had a deep commitment to providing equal access to employment and combating discrimination wherever it may exist. In addition, the League has also been concerned about the plight of our nation's poor--a concern that has heightened as budget cuts of the past two years have put a tighter squeeze on the poor--and particularly the working poor.

Recently, the League has coordinated a group of over 50 organizations from labor, the civil rights and the women's community, to unite around the issue of jobs for women. We are calling upon Congress to enact jobs legislation that contains strong provisions for non-discrimination and affirmative action and provides women equal access to all jobs. Joining me today are three members of this ongoing effort.

Senator Stafford, we are grateful that you have started off the new year by convening these hearings on what is clearly the most critical domestic problem facing this country--the devastating unemployment that has touched over 11 million workers, resulting in the highest unemployment rate since the days of the Great Depression--10.8% at the end of 1982. We sincerely hope that this interest on your part can be translated into effective and immediate action by Congress that will help put Americans--women and men--back to work.

While the unemployment crisis has affected all segments of the population--black, white, hispanic, asian, young, middle-aged, old, blue-collar and white-collar, college-educated and high-school dropouts, those of us sitting here at this moment would like to focus on one important segment that has been affected--women.

We want to state emphatically that it is time for the Federal government to recognize that the American labor force is comprised of both working men and working women. And that the unemployment crisis that this country faces today is a crisis for both women and men. With this recognition must come federal programs and policies that will put all Americans back to work.

ECONOMIC STATUS OF WOMEN TODAY

In September 1982, over 48 million women, 16 years and over, were in the labor force. This represents approximately 43% of all workers in the labor force. The labor force participation rate of women has doubled since 1960. On the other side of the coin, 9.5% of women were unemployed as of November, with the figure approaching 50% for young, black women.

Women are still concentrated in traditional, low-paying jobs. In 1978, two of every three working women held traditionally "female" jobs, 21.6% held jobs that were not sex stereotyped, and only 9.9% held traditionally "male" jobs. In 1981, women were 80% of all clerical workers, 64% of all retail sales workers, 70% of all teachers at the elementary and secondary levels, 89% of all health service workers, 62% of all service workers, and 97% of all registered nurses. At the same time, women were only 4% of all engineers, 14% of all doctors and lawyers, 7% of workers in the heavy construction industries, 1.25% of coal miners, 2% of all carpenters and 1% of all

truck drivers.

Women continue to earn only $.59 for every $1 earned by men. This is a decrease from $.64 in 1955. In 1981, women workers with four or more years of college education earned approximately the same income as men who had only one to three years of high school, $12,085 and $11,936, respectively, while women high school graduates earned less than men who had not completed elementary school.

Women work for the same reason men do--economic necessity. Twenty-five percent of women in the labor force in March 1982 were single, 5% were widowed, 15% were divorced or separated, and 21% had husbands whose earnings in 1981 were less than $15,000.

A growing proportion of American families are headed by women--16% in 1982 as compared with 12% in 1972. However, for women of color, the figure is even higher: 41% of all black families and 23% of all families of Spanish origin. Unfortunately, almost one in three female-headed families lives in poverty today, as contrasted to one in 18 headed by a man. But 51% of black female-headed households live in poverty, as do 60% of households headed by young women ages 15-24. Three-fourths of the elderly poor are women. Almost half of all elderly minority

women live in poverty. It is dismal statistics such as these that have forced us to face the reality of the "feminization of poverty" in our country today.

With more women in the work force, the need for child care is more acute than ever. Forty-six percent of all children under the age of six have mothers in the labor force. It is estimated that by 1990, approximately one-half of all pre-school children will have mothers in the labor force.

I think you will agree that these figures vividly demonstrate that working women are a fact of life in America today, and that their needs can no longer be overlooked in planning for the economic needs of our country.

We are gravely concerned about the severe unemployment problem that exists in America today. We are concerned about plant closings that create displaced workers, about automation that frequently eliminates the lowest jobs on the employment ladder--jobs that are frequently held by women. We are concerned about the structural unemployment caused by a lack of job training for young people. And we are concerned about pay equity for women--those women who are fortunate enough to have jobs, but whose worth is often undervalued, so that they are unable to earn a living wage.

There are already major laws on the books--The Equal Pay Act of 1963, Title VII of the Civil Rights Act of 1964, and Executive Order 11246, that are designed to eliminate employment discrimination against women. All of these tools can be effective, when they are rigorously enforced. We are deeply concerned, however, about this Administration's failure, not only to enforce these laws vigorously, but to actively undermine the basic reach and effect of these laws. Moreover, government programs designed to reach out to bring women into the work force have been virtually eliminated.

It is imperative that any new jobs legislation, not only contain requirements for nondiscrimination and affirmative action, with attention to enforcement as well, but also that outreach programs and supportive services be provided so that women will have equal access to and fair treatment in all jobs created by new employment programs.

We also believe that it is incumbent upon the Federal government to get its own house in order. Traditionally, the Federal government has been a leader in promoting women to high level jobs. Unfortunately, the past two years have represented a sharp reversal from these policies. Reductions-in-force have hit women and minorities the hardest, and although there has been a great deal of publicity about the impact of RIFs,

Congress has shown a surprising lack of concern. Since it is the Federal government that sets the tone of all employment policies in the country, we believe that this callous disregard for the impact of RIFs on women workers should not go unchallenged. We might also add that Congress has failed to extend anti-discrimination rules to cover itself and its employees, something we would urge it to do (as we so testified in 1978).

Aside from civil rights enforcement, we believe that recent federal employment policies--with few exceptions--have failed to recognize the very real needs of working women.

For example, the Work Incentive Program, (WIN),--an employment strategy for welfare recipients--has traditionally been used to place women in low paying jobs. In the early days of the program, male welfare recipients were given preference for available slots in the program. While this practice was eventually eliminated by court order, traditional job placement patterns continue.

Any future job training and placement program must have more financial resources, a change in focus, e.g., to make a concerted effort to place women in higher paying, nontraditional jobs, as well as changes to assure that it effectively trains and places all of the people it serves in jobs with good pay

and career advancement potential.

Women have been active participants in the Comprehensive Employment and Training Act (CETA) program. However, it was not until the 1978 amendments were passed by Congress, that substantial efforts were made to train and place women in nontraditional jobs. We hope that the provisions of the new Job Training Partnership Act (JTPA) that target training to women receiving income assistance will learn from the experience of the provisions of CETA that targeted economically disadvantaged women. When these provisions were used to support women's outreach and training programs--which occurred all too infrequently--real success was achieved. Further efforts are needed as well, in any new job initiative programs.

With respect to dislocated workers, we are pleased that the job training act has a section that addresses this segment of the population. But we would like to emphasize that women are also suffering the dire consequences of displacement. It is often easy to overlook the displaced female worker, because the image that typically comes to mind with displacement is a closed factory and long unemployment lines filled with men.

However, displacement is occurring in other sectors of the economy as well. There are large numbers of displaced mental health workers--largely female--due to the trend of

deinstitutionalization combined with budget cuts in social service programs. There is displacement in the banking industry. As electronic money transfer systems proliferate, bank tellers--again predominantly women--face the loss of their jobs. And there has been displacement in the telecommunications industry. With increased automation, there has been a decrease in the number of telephone operators--once again mostly women. It is imperative that job displacement be recognized for what it is--an extreme hardship for both men and women. Job training for displaced workers must extend to displaced female workers as well as to men.

We are concerned that adoption of a subminimum wage could have an adverse impact on women workers. A subminimum wage, designed to provide jobs for teenagers, would displace female workers, those at the bottom of the jobs ladder who are currently working at the minimum wage level, with even lower paid teenagers. Such a situation would serve to exacerbate the unemployment problem that women face today. Likewise, we are concerned about the lack of job training and pay equity associated with workfare programs. We do not view workfare as an acceptable employment option for women.

With the economy that is moving quickly toward a complex, highly technical job structure, it is critical that any jobs creation

strategies target these industries, both for training and for jobs. As both men and women are equally unprepared for these jobs, there is a wonderful opportunity for women to get in on the ground floor. And with new jobs comes an opportunity to create a new wage structure--one that fully acknowledges the contribution that women workers make. It is an opportunity to implement pay equity, without upsetting a pre-existing wage structure, which is so often the argument raised against pay equity today. Finally, it is an opportunity to ensure that low level jobs will have training and upward mobility options connected to them.

Senator, my written testimony contains statistics which will document the reality of the poor economic and employment picture for women today in America. I would like to have the entire text of my written statement be made part of the hearing record; however, to allow more time for discussion I will not attempt to verbally go through the myriad of statistics which we all know to be true. There is no need to prove what is fact--the American woman today is faring little better economically than her sister of a few decades ago. In fact, statistics indicate that today's woman is faring much worse.

The League and its sister organizations here at this table are familiar with these statistics. And we believe the poor

economic status of today's woman can be attributed to the occupational segregation of over 80% of the female workforce into traditional "female" jobs, which are undervalued, and underpaid; and, to the exclusion of women from well-paid jobs traditionally held by men.

Make no mistake; we do not minimize the work women do in traditionally female jobs, nor their value. However, the truth is that nationally these jobs are not valued or paid according to their true worth. In fact, recent statistics from the National Commission on Working Women state that the average woman must work nearly nine days in order to receive the wages paid to men for five days' work.

However, today, we would like to focus on this second factor the movement of women into nontraditional jobs. Compensatory training programs such as those operated by Wider Opportunities for Women (WOW), litigation efforts such as those mounted by the National Women's Law Center and the League of Women Voters Education Fund, local advocacy efforts such as those undertaken by the Southeast Women's Employment Coalition, and strong federal commitment to enforcing existing civil rights laws are all necessary strategies to enable women to successfully enter--and remain--in nontraditional jobs.

First, let us look at some of the barriers women face in trying to enter nontraditional jobs. Those women who are able to avoid the tracking system of the education system and many federal jobs programs (which encourage women to enter "women's" jobs) must find compensatory training programs in order to learn the skills needed to enter nontraditional work. Next they must overcome resistance from employers, even those who are under contractual obligations to hire women. Other barriers faced by women seeking to enter nontraditional jobs range from inability to secure adequate child care and transportation to harassment in the form of demands for sexual favors, threats, sabotage of equipment, denial of safety equipment, and outright assault. All this on top of overcoming the first big hurdle of just getting hired!

The Federal government through Executive Order 11246 and its implementing regulations has obligated federal contractors to hire women and minorities. For federal construction contracts the obligation is embodied in percentage goals for women in each trade which must be met by the contractor, although this Administration has proposed weakening these goals. Supposedly, failure to meet these goals will result in debarment of the contractor from future government work. In one of the largest cases of debarment to date, the contractor, Uniroyal, Inc. was again eligible for Federal government contracts after a four-month debarment. At least in the Uniroyal case, debarment proceedings

were actually carried out and resulted in back pay awards for women workers who had been discriminated against. But this is the exception rather than the rule. Reports from the women's employment and training programs which participate in WOW's national network reveal that investigations of discrimination complaints, much less debarment, are a myth:

> o Two New York City women's employment programs over the past two years have continually tried to get women hired into skilled construction jobs. In one instance, after negotiating a maze of conflicting instructions and directions for hiring procedures, the programs were successful in getting two women placed for a day on the job site. During the course of the working day the two women were subjected to continual verbal harassment, were assigned individually to do jobs which were being done in partnership by the male workers, were denied requested safety equipment, and were put in several life-threatening situations. The harassment culminated in the women being assigned to a job -- on an above-ground work structure -- without safety belts. After the women had tied each other down for safety and begun doing their assigned tasks, male workcrew disassembled the scaffold underneath them leaving the women stranded in the air. The women, even after this dramatic display of hostility, continued to complete their assigned tasks, all without the supervision given male apprentices. At the end of the workday, the women were not allowed to use the clean-up facilities -- in direct violation of union contract provisions -- even after the males had finished and were forced to walk several blocks in order to clean up in a basin with only cold water.
>
> o A women's employment and training program located in Witchita found themselves in trouble trying to get federal authorities to enforce equal employment regulations. The program was forced to do the agency's work. They collected and documented acts of discrimination from their trainees, conducted their own informal reviews of worksites and still got no results from the federal agency -- they also did not get placements for their trainees. For all these efforts, the group in the end was put on the spot as trouble makers instead of the offending employers or recalcitrant federal officials.

o A Boston-based women's employment and training program, which trained women for entry into the skilled construction trades, was unable to place its trained women despite the presence of newly awarded government contracts and an abundance of job vacancies resulting from new work. Repeated calls, letters, and documentation of blatant discrimination to federal Deparment of Labor offices had no results -- no replies and no placements for the group. Because they could not place their trainees, the group's funding was jeopardized.

Calls, letters, a telegram and finally a personal visit to the Department of Labor national office made no difference. Trained women were still unable to find jobs, even where the employer had a special obligation (arising from his status as a federal contractor) to consider them for employment.

o One women's employment program in the Southwest tried to get its trainees hired in the local aeronautics industry. The program had successfully trained women for jobs in the electrical-technical skills needed by the industry. The industry was a federal contractor and so was obligated to especially consider women for employment. The industry was in need of workers; but, rather than hire the trained women already available, the companies began a concerted effort to recruit workers from outside the state.

Unfortunately, these accounts are all too typical of the struggles encountered by many programs trying to place women in male-intensive occupations. Federal jobs programs through moderate funding to some of these groups, have made token efforts to move women into these jobs, but comprehensive, effective support is lacking.

Despite this dismal state of affairs, some few women do manage to enter male-intensive occupations such as skilled craft trades, electromechanics, waste water treatment technicians, among others. These women, once given a chance, prove to be competent and productive workers -- like their male counterparts. But they

are only able to get this chance when the full array of strategies is mobilized to insure access.

SPECIFIC PROPOSALS FOR ACTION

Consequently, we urge Congress to take immediate and effective action to put America back to work. We know that you will be examining many employment proposals in the next few months. The development of a new jobs package presents an opportunity to avoid the problems of the old programs and to eliminate the stereotyped and outmoded images of women workers. Any proposal given serious attention by Congress must ensure employment equity for women. In order to achieve this goal, we believe that any employment proposal should contain the following:

1) Nondiscrimination and affirmative action provisions working together with Title VII, the Equal Pay Act and Executive Order 11246, and enforcement requirements to assure that these provisions are in fact put in place. If any jobs are to be created by an act of Congress, then women must receive their fair share of such jobs. It is incumbent, therefore, that any such legislation ensure access to nontraditional jobs for women, as well as to more traditional jobs that women are already trained for, as well as nondiscriminatory treatment once in those jobs. Unlike the recently enacted federal gas tax increase legislation, any additional legislation must contain express provisions assuring that a fair number of the jobs created by the act will go to women. As the figures I presented earlier sharply demonstrate -- those jobs have for the most part been

unavailable to women, and the gas tax bill contains no incentives to hire women for those jobs.

2) Provisions for occupational development, upward mobility, development of new careers for women, and for overcoming sex stereotyping.

3) Provisions for the creation of public sector jobs, with equal access to wages and benefits for women. At the same time, there must be safequards to protect against the displacement of public employees, so that they do not lose their jobs to those hired under any public employment initiatives.

4) Provisions for the development of alternative work schedules, including flex-time, part-time and at-home work and experimentation with such programs as short-time compensation, with efforts coordinated with unions and management.

5) Provisions for the expansion of resources for child care. Women must have child care when they go to work. We are pleased that the Tax Equity Act and Fiscal Responsibility Act of 1982 passed by Congress last summer includes incentives for employer-operated child care centers. While a step in the right direction, it is simply not enough. While Congress hath given with the right hand, it hath taken away with the left, by reducing funding for the social services block grant that subsidizes child care for low income persons. Child care must be affordable, because if it is not affordable, then it simply is not accessible.

6) Provisions that will ensure pay equity for women workers. We cannot stress too strongly the need for pay equity. Women, like men,

must earn a living wage if they are to support themselves and their families. For women, even holding a job does not mean an escape from poverty because wages for traditional women's work are so low. Many women who work full-time still qualify for food stamps and/or income assistance. We therefore urge that any employment legislation considered by Congress include pay equity-- or equal pay for work of comparable value -- as a component.

Senator, that concludes my prepared comments. With me today on this panel are experts who have first-hand knowledge of the successful strategies needed to ensure parity for women in nontraditional jobs: Jane Fleming, Executive Director of Wider Opportunities for Women, has worked to pioneer community-based nontraditional training programs for women; Marcia Greenberger, Managing Attorney of the National Women's Law Center, is a long-time legal advocate for women's employment rights and Betty Jean Hall, Executive Director of the Coal Employment Project, which has been working since 1977 to secure well-paying jobs for women in the coal mining industry, She is also on the Board of Directors of the Southeast Women's Employment Coalition. They are available to respond to your questions and share their many varied experiences.

League of Women Voters of the United States 1730 M Street, N.W. Washington, D.C. 20036 Tel. (202) 296-1770

memorandum

WOMEN AND EMPLOYMENT

THE FACTS:

- 47.7 MILLION WOMEN--43% OF ALL WORKERS--WERE IN THE LABOR FORCE IN JUNE 1982.
- WOMEN EARN ONLY $.59 FOR EVERY $1 MEN EARN--DOWN FROM $.64 FOR EVERY $1 IN 1955.
- WOMEN WORK FOR THE SAME REASON MEN WORK--ECONOMIC NECESSITY.
- TWO-THIRDS OF ALL WOMEN WORK AT LOW-PAYING, TRADITIONALLY 'FEMALE' JOBS.
- ONE IN EVERY THREE FEMALE-HEADED FAMILIES IS LIVING IN POVERTY.
- NEARLY 10% OF ALL WORKING WOMEN ARE CURRENTLY UNEMPLOYED.
- MORE THAN HALF OF BLACK FEMALE-HEADED HOUSEHOLDS LIVE IN POVERTY.
- YOUNG MINORITY WOMEN HAVE AN UNEMPLOYMENT RATE OF nearly 50%.

WOMEN: A Growing Presence in the U.S. Labor Force

-- 47.7 million women were in the labor force in June 1982--compared with 37.4 million in 1975 and 23.3 million in 1960.
-- 62% of all women ages 18-64 were in the labor force in 1981.
-- Women were 43% of all workers in 1981.

WOMEN: Still Concentrated in Traditional, Low-paying Jobs

-- In 1978, 2 of every 3 working women held traditionally 'female' jobs; 21.6% held jobs that were not sex stereotyped, and only 9.9% held traditionally 'male' jobs.
-- In 1981 women were
  - 80% of all clericals
  - 63% of all retail sales workers
  - 70% of all teachers
  - 89% of all health service workers
  - 62% of all service workers
  - 97% of all registered nurses

But were only

- 4% of all engineers
- 14% of all doctors
- 14% of all lawyers
- 7% of all workers in heavy construction
- 1.25% of all workers in coal mining
- 2% of all carpenters
- 1% of all truck drivers

WOMEN: Their Work Still Undervalued

-- Women earn only $.59 for every $1 earned by men--down from $.64 in 1955.
-- Women workers with 4 or more years of college education earned in 1981 roughly the same income as men who had only 1-3 years of high school--$12,085 and $11,936, respectively.
-- Women high school graduates who work full time earned less than fully employed men who have not completed elementary school, $12,332 as compared with $12,866 for men.

WOMEN: Working Out of Economic Need

-- 25% of women in the labor force in March 1982 were single.
-- 5% were widowed.
-- 15% were divorced or separated.
-- 21% had husbands whose earnings in 1981 were less than $15,000.
-- 16% of all families were maintained by women in 1982 compared with 12% in 1972.
-- 41% of all black families and 23% of all families of Spanish origin were maintained by women in 1982.

WOMEN: Already Poor and Getting Poorer

-- Almost 1 in 3 female-headed families is poor as compared with only 1 in 18 male-headed families (1978).
-- 51% of black female-headed households live in poverty.
-- 60% of all households headed by women 15-24 are in poverty.
-- Three-fourths of the elderly poor are women; almost half of all elderly minority women live in poverty.

WOMEN: More in Need of Quality Dependent Care than Ever Before

-- 55% of children under the age of 18 (32 million) had working mothers in 1982.
-- 46% of all children under the age of 6 (8.5 million) had mothers in the labor force.
-- 42% of all mothers with children under the age of 3 are in the workforce.
-- 54% of mothers with children between the ages of 3 and 5 are in the workforce.
-- By 1990, about 1/2 of all preschool children (11.5 million) will have mothers in the labor force, as will about 17.2 million (60%) of all school-age children.

WOMEN: The Unemployed

-- In 1982, 9.5% of all women were unemployed. This equals 4.7 million women--up 1 million from those unemployed in 1981.
-- 21.9% of all women ages 16 - 19 are unemployed, but for young, black women, the figure is closer to 50%.
-- The unemployment rate for female heads of household is 12%.

SOURCES:

"20 Facts on Women Workers," U.S. Department of Labor, Women's Bureau, 1982

"The Female-Male Earnings Gap: A Review of Employment and Earnings Issues," U.S. Department of Labor, Bureau of Labor Statistics, 1982

"12th Annual Report of the National Advisory Council on Economic Opportunity," August 1980

A Children's Defense Budget: An Analysis of the President's Budget and Children, Children's Defense Fund, 1982.

Prepared by: Nancy Reder, League of Women Voters Education Fund (202) 429-1965
Andrea Di Lorenzo, National Education Association (202) 822-7300

League of Women Voters of the United States • 1730 M Street, NW • Washington, DC 20036 • (202) 429-1965

March 24, 1983

The Honorable Robert Stafford, Chairman
Committee on Environment and Public Works
U.S. Senate
Washington, DC 20510

Dear Senator Stafford:

I must apologize for the delay in responding to the questions that you raised in response to my testimony before the Senate Committee on Environment and Public Works on February 2.

I have asked some of the other organizations that have been working with the League of Women Voters on the issue of jobs for women for background materials to help answer your questions.

1) It has been estimated that 98.3 percent of construction workers in this country are male. We had testimony that over 99 percent of those hired for the local public works program were male. How can a public works jobs program provide employment opportunities for women? How do we assure "equal access" for women in heavy construction jobs?

Enclosed are recommendations of the Southeast Women's Employment Coalition that were made when legislation to increase the gas tax was before Congress. These recommendations address the issue of how to ensure equal access for women in heavy construction. (Attachment #1)

2) Approximately 17 percent of all households are now headed by women. Many other families must rely on two workers to make ends meet. Given these needs, how can those women who want to move out of the more traditional service jobs and into higher-paying, skilled labor fields do so? What kinds of preparation, training and opportunities are needed to assist in this shift?

There are already several mechanisms which have proven effective in helping women move into higher-paid nontraditional jobs. Since the early 1960s, community-based women's employment programs have acted as advocates to open up employment opportunities for women in nontraditional jobs, and have themselves piloted many of the training models now common in vocational institutions. These programs, often the only local resource available to a woman seeking information on nontraditional careers, have pioneered training in such occupations as skilled construction trades, white collar technical work, electronics, electro-mechanics, waste water treatment, and small office machine repair, among others.

Besides designing the training needed by women to gain the skills to successfully compete for nontraditional jobs, these programs were the first to identify and develop program solutions to help women overcome many of the "artificial" barriers to their entry into these new jobs: child and dependent care, ability to drive heavy construction equipment, physical conditioning, tool identification, etc. In the CETA reauthorization

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amendments of 1978, the pioneering efforts of these programs were officially recognized and became an integrated part of the nation's employment and training system. This opportunity, if implemented, continues to exist under the new Job Training Partnership Act.

Despite the wealth of program and training solutions to sex segregation in the job market, training is only half the solution. After training, the women must be hired. Therefore, a strong national front in support of equal employment opportunity and affirmative action laws is necessary. Without financial support for nontraditional skills training and the support services needed to enable women to participate in--and complete--training, and without vigilant enforcement of EEO and affirmative action laws already in existence women will not be able to secure their equitable share of nontraditional jobs.

For more information, contact: Vikki L. Gregory, Co-Director, Women's Work Force (WOW), 1325 G Street, N.W., Lower Level, Washington, DC 20005 (202) 638-3143.

3) Have women been affected by the large-scale manufacturing and industry layoffs, or has female unemployment or underemployment come about less visibly? How significant do you believe the unemployment problem is for women?

The unemployment rate for women (8.9 percent) was almost as high as that for men--(9.9 percent) in February. However, the unemployment rate for adult black women is 17 percent--considerably higher than the 9.2 percent rate for white adult males and the 7.7 percent rate for white adult females--and near the 18.7 percent rate for black adult males. The unemployment rate for female black teenagers is the highest of all--45.5 percent.

Attachment #2 shows the unemployment rate for women by occupation.

4) What is the U.S. Department of Transportation doing to encourage equal employment opportunities for women and minorities in highway construction? What further steps would you recommend that DOT take in this area?

The Southeast Women's Employment Coalition has prepared a report, Employment in Road Construction: Who Benefits? that addresses these questions. A copy of that report is enclosed as Attachment #3.

The report cites examples of DOTs failure to investigate or even demonstrate any concern when alleged incidents of employment discrimination in road construction were brought to its attention.

The LWV believes that sex discrimination in employment is detrimental to the fiscal well-being of our country. The League believes that in order to eradicate employment discrimination, the Administration must strongly affirm its commitment to this goal by vigorously enforcing these laws. The League does not believe that the Administration has done so. For example, the Administration's efforts to weaken enforcement of Executive Order 11246 are clearly sending the wrong message to employers.

Strong enforcement of EO 11246 as well as of Title VII and the Equal Pay Act can result in equal employment opportunities for women.

5) Of the types of jobs available in the construction and maintenance of highways, are there any that women are unable to perform? Can you tell us what percentage of women are employed in a clerical capacity, as opposed to some other specific jobs in federal-aid highway construction--jobs such as equipment operator, mason, semi-skilled laborer, unskilled laborer, truck driver, foreman and supervisor?

Employment in Road Construction, Who Benefits? includes a breakdown of specific job categories by sex on page 3. Neither all men nor all women can perform all jobs. However, women, like men, when they receive job training, can perform the jobs for which they are trained.

6) You referred in your testimony to an effort the League is coordinating on the issue of jobs for women. Can you provide us a with a list of those civil rights, labor and women's groups involved in this effort?

I have enclosed a copy of "A Call to Action for Jobs for Women," signed by over 50 organizations who support the concept of a jobs creation program that will provide equal employment opportunities for women. (Attachment #4)

7) You testified that for every $1 earned by men, women earn 59 cents, and this is a decrease from 64 cents in 1955. Why are women faring worse than 28 years ago on the pay equity issue? What corrective action can be taken?

The single largest source of the wage gap between men and women workers continues to be the concentration of women in a narrow range of occupations whose worth is undervalued and underpaid, such as nursing, clerical and library work. These patterns of concentration function to sustain the wage gap in spite of progress over the last 20 years in achieving equal pay for equal work and new opportunities for women in male-dominated jobs. Equal pay and affirmative action efforts are important accomplishments and they need to continue. But they have failed to reduce the wage gap. Relatively few women hold jobs equal to men's and the entry of new women workers into low-paid, traditionally female jobs has outmatched the movement of women into male jobs.

The National Committee on Pay Equity, a coalition of labor, civil rights and women's organizations, has made the following recommendations in response to your question:

We believe that the U.S. needs to directly challenge discrimination in wage-setting and provide equal pay for work of comparable value. This important national commitment has been made by Australia, for example, where great progress has been made in reducing the wage gap--one of the oldest and most persistent symptoms of sexual inequality.

1. Demand enforcement of Title VII of the Civil Rights Act of 1964 and Executive Order 11246, the federal statutes that prohibit wage discrimination against jobs predominantly occupied by females and minorities. The appointees of this

Administration to the U.S. Department of Justice, the U.S. Department of Labor's Office of Federal Contract Compliance Programs and the Equal Employment Opportunity Commission have abandoned their enforcement responsibilities and eroded the considerable progress that was made in achieving pay equity.

2. Demand that appointees to the Department of Justice, Office of Federal Contract Compliance Programs and Equal Employment Opportunity Commission are committed to comparable worth.

3. Support pay equity for federal employees as mandated by the Civil Service Reform Act of 1978. Oppose the U.S. Office of Personnel Management's present efforts to downgrade jobs held predominantly by women. Support an independent federal pay equity study that utilizes outside job evaluators and requires input from workers, advocacy groups, and other organizations that represent women's interests.

4. Urge state and local governments to implement pay equity for their employees by undertaking job evaluation studies, enforcing existing laws which prohibit wage discrimination, and, if necessary, enacting new legislation. Encourage governments to provide the necessary funds to achieve pay equity.

5. Request that your elected officials appoint people who are knowledgeable about relevant economic, employment and training issues to be the pay equity experts on their staffs.

6. Incorporate pay equity in all employment and training programs.

7. Support union efforts to achieve pay equity through the collective bargaining process.

8. Call on private employers to undertake voluntary compliance programs to achieve pay equity.

9. Educate the public about pay equity and the need for enforcement of wage discrimination laws through speeches, publications, conferences and all other appropriate avenues.

Further information and analysis are provided in the enclosed testimony. (Attachment #5) For more information, contact Joy Ann Grune, Executive Director, National Committee on Pay Equity, 1201 16th Street, N.W., Washington, DC 20036, (202) 822-7304.

8) What is the effect of unemployment and limited job opportunities on minority women? Is the problem more acute than it is for minority men and women in general?

The enclosed publication, prepared by the Women's Bureau at the Department of Labor, Economic Responsibilities of Working Women (Attachment #6), notes that in March 1982, 61 percent of minority women were either single, divorced, widowed, had a spouse who was absent from the home or were married to someone earning less than $10,000 per year. More than two out of five minority women workers were solely responsible for their families, and 36 percent (2.8 million) of all minority families were maintained by women. These statistics reflect the acute need of minority women for jobs that will help them support their families. Employment discrimination as well as unemployment severely limits access to well-paying jobs for minority women.

As noted elsewhere in this letter, minority women suffer an extremely high unemployment rate--17 percent--and black female teenagers suffer from the highest unemployment rate--45.5 percent.

Thank you for your interest in the issue of jobs for women. Please feel free to contact me if you have any further questions.

Sincerely,

Nancy Neuman

Nancy Neuman
First Vice President
League of Women Voters of
The United States

Attachments 1 - 6

[The attachments referred to in this letter has been retained in the committee files.]

INFRASTRUCTURE AND JOBS

THURSDAY, FEBRUARY 3, 1983

U.S. SENATE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,
Washington, D.C.

The committee met at 9:34 a.m., in room SD-406, Dirksen Senate Office Building, Hon. Robert T. Stafford (chairman of the committee) presiding.

Present: Senators Stafford, Chafee, Randolph, Moynihan, and Durenberger.

Senator STAFFORD. The Committee on Environment and Public Works will please come to order.

This is a continuation of the hearings the committee is holding to examine the questions of this committee's role in finding jobs within the infrastructure, to use the new word around here, that can not only accomplish necessary work and capital improvements but also provide, as quickly as possible, substantial numbers of jobs to help us contribute to relieving the unemployment situation in this country.

We are particularly pleased in having with us this morning Governor Kean from New Jersey to help us in this task which we have assigned ourselves. We know it is an imposition on your time, Governor. We appreciate your being here. We know you are under some time constraints so the chairman is going to forego the usual opening statement and ask his colleagues if they have any.

Senator MOYNIHAN. I would like to welcome the Governor.

Senator CHAFEE. I would like to welcome the Governor.

Senator STAFFORD. Those are probably the shortest opening statements we have heard.

Governor, we would be very pleased to hear from you. We note your considerable written statement. We will place it entirely in the record and we invite you to proceed in any way you wish, either with the statement or to comment on it as you wish.

STATEMENT OF HON. THOMAS KEAN, GOVERNOR, STATE OF NEW JERSEY

Governor KEAN. Thank you very much, Mr. Chairman.

It is a pleasure to be here this morning. What I will do is paraphrase, if I could, the statement that is in the record and read perhaps other parts of it that may be more pertinent. You said one of the biggest problems we have is our so-called infrastructure.

One of the main problems, obviously, we have in society today is the renewal of the creation, in many cases, of infrastructure. These problems are there and obviously they are ours in Government to

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solve. However, it is our belief they can't be solved entirely by the Federal Government and perhaps that they shouldn't be solved entirely by the Federal Government. It is our position that States have a major role in this area.

The New Jersey infrastructure banks so-called, from my State, insures investment over the long term in our own infrastructure to create jobs, clean up the environment, reduce our dependence on the Federal Government and hopefully accomplish all this in a fiscally sound manner.

Let me share with you just the basics of the proposal. The work is a result of a source of analysis by State officials, our financial advisors. I can't really outline for you in this short time the complete complexity of the proposal. Let me briefly review the development of the banks, its structure and give you one example of how it works.

We are typical of a number of States. We have all sorts of barriers to economic growth. One of the main barriers is the problems we have with our sewers, solid-waste disposal systems, our water mains, our roads, our bridges, and transit systems. These are all barriers to economic growth and also to the attainment of environmental standards. These deficiencies undermine directly the State's ability to attract and to keep jobs.

Federal funds over the years have traditionally provided a major source of capital for building and improving our own infrastructure. For the most part, these funds have been cut substantially in recent years.

Our own contribution in the State to infrastructure financing has been generated principally from sales of general obligation bonds and authorized by the voters for such purposes. To maintain our own fiscal integrity and maintain what we are proud of in this State, a triple A bond rating, the dollar amount of bonds issued each year must be carefully restricted to amounts supportable at current revenue levels. Otherwise, this can result in some long delays in implementing already authorized programs and it precludes new bond acts from being fully funded for many years to come.

Let me summarize very briefly the costs of meeting New Jersey's infracture needs in four major areas. The first area I will spell out a little bit more because I want to use it as an example. In the waste-water-treatment area, that is the sewer area, our State is confronted with a total need estimated conservatively at $2.4 billion for the construction of 237 projects to meet federally mandated clean-water goals. This is in addition to the $1.8 billion in Federal funds already spent by the State in our waste-water program. All 237 projects will be ready for construction in the next 4 years and about $1.2 billion in projects will be ready for construction by probably next month or the month after.

The Federal sewer construction grants program is currently authorized for funding in fiscal year 1982 through 1985 at approximately half the level of the previous 10 years. During that 4-year period, New Jersey is authorized to receive only $385 million. This means that out of the 237 projects which will be ready to go, that only 24 of them can be even partially, let alone fully, funded. So

with the existing 1983 appropriations, we are able to partially fund only 13 projects.

So what we want to do is stretch our Federal funds to meet a much larger number of projects. To try to do this, already we are making grants for 65 percent of project cost beginning in the State with 1982 funds; $40 million are currently authorized through State bond acts for that purpose.

In the water supply area, we have identified $4 to $3 billion in infrastructure area. Resource recovery area, $1.6 billion in State needs. In transportation over the next four years, we have $4.9 billion in capital needs in both highways and in mass transportation. So these examples illustrate the tremendous disparity between our needs identified and the moneys we are going to have available to meet those needs from any source that we can now identify, Federal, State or private sources.

Every time we identify a new infrastructure need, every time there is an additional problem, of course, this increases and there is no way—there is no way—presently to meet the kinds of needs that we have identified.

So on September 29, I announced a proposal to try and meet these needs. We called it the New Jersey infrastructure bank. The bank is our State's major program for meeting these capital needs and addresses a major shift in the way New Jersey or at this point I think any State addresses its capital financing problems. We believe that our New Jersey plan is a very first initiative of its kind by a State in response to the continuing reduction in Federal funds for certain infrastructure programs. And it is already the first which makes a realistic long-term commitment to infrastructure.

It has several major objectives. The first is to find an effective means of leveraging public financial resources and meet a greater share of the State's infrastructure needs that was possible under existing programs. Related to this was the need to provide the State with a continuing, reliable source of funds for the long term for infrastructure investment. At the same time, it was essential to create a financing vehicle which minimized the local impact of changes in State funding procedures, cut back in Federal funding and all the other things that local municipalities and counties have to put up with.

The final objective was to decrease the State's reliance on issuance of general obligation debt to finance capital expenditures by using funds raised in this manner more efficiently.

Obviously we have a couple of other goals. One is to maintain a triple A bond rating. An additional one, unspoken but always there, was the need to create thousands and thousands, and thousands of jobs in the State.

This proposal is the result of a lot of work begun in 1982 by State officials, particularly Bob Huey of the Department of Environmental Protection who is here with me today, by people from our Treasury Department, by financial experts from the firms of Bear, Stearns, Merrill Lynch, and White Weld. So it's a proposal to tap all existing sources of funds that might be available to our State and local communities. Not that it will instantly solve every one of our problems but it is going to address them much more rapidly.

It would operate in the following way: The bank would be a nonprofit institution which would function solely as a financing vehicle for infrastructure programs. It would be intended, by the way, to function in this capacity for the indefinite future.

These are the funding sources we envision for that: It will be capitalized basically from three sources. First would be the proceeds of state general obligation bonds, the kind that are issued in all states, authorized for wastewater, water supply, resource recovery, transportation, or whatever purpose, and these funds will be appropriated to the bank. Debt service on these bonds will be paid by our State general fund. Second, we would like to put Federal grant funds and contribute those to the Bank such as those for wastewater treatment.

Other Federal funds in the form of equity infusion to State banks, the State bank obviously would be extremely valuable.

Third, the bank obviously would receive appropriations from certain state revenues. There are three ways it would function in order to leverage these capital resources, use these moneys over and over again.

First, the bank would operate revolving loan funds to finance specific types of projects. Funds would be deposited in special loan accounts within the bank dedicated to program purposes for which the general obligation bonds, Federal grants or revenue appropriations were originally authorized. And then funds would be lent to local government units at low or no interest loans, for some share of the cost of the projects. Loan repayments would keep the equity capital in the bank and provide a source of funds for future loans. In other words, instead of using Federal funds, the State funds, only once we will be able to use them through the bank over and over again.

As they are repaid we would use them for another project.

The bank would also serve as a statewide financing vehicle for the local share of project costs. At the request of a community, in other words, of a town or a city, the bank could issue bonds through the public debt market on behalf of the community for that share of the project not covered by a loan. The bank could pool borrowing requirements of localities and rate bank bond issues a sufficient size to result in savings and financing issuing costs that just wouldn't be available to those communities.

In other words, we can guarantee every community under the bank proposal that we can save money over the fact that they have to go to the bond market by themselves. This is very significant, I believe, given the Federal requirement that all municipal bonds be issued in register form by July 1, 1983.

Finally the bank would function as a vehicle for which the State itself will issue revenue-backed bonds for various infrastructure purposes. This would be possible where a new existing source of revenues was dedicated to the bank to meet debt service requirements, thereby enabling the bank to raise capital for particular needs of the State. We have a whole series of security mechanisms which are in the written testimony which I can go into later, if you want, simply to ensure the money is properly kept.

We have been moving in the State level. We have enabling legislation for the bank in both houses of our New Jersey legislature

creating the bank. We are going to need a little bit of additional legislation beyond that at the State level to make the bank fully functioning next fall and we are going to ask our voters in the State to pass a referendum allowing loans made from State bond funds to be fully repaid to the Bank.

Under existing law, such loans are repaid to the general funds which, obviously, it would deplete the bank's capital. We want to pay to the bank for future infrastructure needs. What we would like is Federal legislation to make Federal grant funds available to the bank. For instance, an amendment to the Clean Water Act which has been drafted would provide States the necessary flexibility to make loans instead of grants for their annual funding allocations, projects we believe should be allowed to proceed in anticipation of receipt of loans since the establishment of a revolving loan fund would guarantee the long-term obligations of the State to fund those projects.

In addition, we are hopeful that any new Federal infrastructure public works legislation could include provision to capitalize State institutions like the New Jersey Infrastructure Bank. Existing grant funds could be channeled to institutions like ours. This strategy would insure again maximum use of public resources and guarantee that in the States we have long-term capability and guaranteed capability to finance our infrastructure construction and rehabilitation. In the written testimony is a section on how the bank is to be set up and the administration of the bank. With the exception of transportation, the bank's program would be based on the application of the revolving loan fund, again using Federal dollars over and over again instead of only once.

Let me give you an example in one area the way we envision the bank working. In the sewer construction or waste water area, a revolving loan would be established in the bank to make low- or no-interest loans, in other words, instead of grants some share of the project costs or all of the project costs would be met this way. We have developed a sophisticated model to determine the effectiveness of the loan fund in meeting our State's total need for sewer construction given a certain set of assumptions and the effect of using these, assuming that same set of assumptions for any community.

The goal in our model was to determine how to reach the greatest number of projects in a given area of time while minimizing user fees. A basic case for the sewer construction revolving loan fund was derived using this kind of a model. A minimum of $600 million of Federal grant funds would be deposited into the fund in annual increments following Congressional appropriations. Six years of Federal appropriations would be required because the existing authorization for the program in the Clean Water Act would have to be extended up to 4 years depending on when the State could begin making loans instead of grants.

In addition to Federal funds, the State would contribute to the total of $2.4 billion needed or $192 million, to the fund over the same 6-year period. These two funding sources would capitalize the loan fund with $792 million.

Using this capital, low- or no-interest loans would be made to 63 percent of the project costs with a 15-year repayment period. Over

a 10-year period, we could make $1.2 billion in loans, together with the local share would lead to construction in our State of $1.9 billion in projects which we just couldn't do otherwise.

Under this scenario, the user fees would increase over what a community would pay if it received a 63-percent grant for project construction. However, over 200 of our 237 projects on the sewer priority list can't expect to receive any grant now. So these simply either could not be done at all or would have to be done with the municipality of the county going to the bond market themselves and paying those high rates. For these communities, what a bank loan would do is cut the user fees in half compared to trying to finance the projects with 100 percent local debt.

The existing Federal sewer construction program would have to be continued for at least 15 years at existing levels to construct all the eligible programs in New Jersey. The Federal exposure in our State alone could be some $2 billion when the effects of inflation on project costs are taken into account. At the end of the funding period in the present system, obviously, there would be no money available and no money left for available work.

Under the bank, a maximum of 6 years of Federal appropriations, or $800 million, would be required to meet all our needs. Construction could begin on every eligible project in that period. We will be creating in this waste water period alone with the bank 50,000 jobs in construction alone which wouldn't be created any other way.

In addition, Federal appropriations will be received earlier rapidly, less cost to the user with larger pool of funds accumulated for future years.

If the Federal program is not extended, maximum use of existing grant funds in the loan program become even more critical since it guarantees every project will be reached eventually.

Let me just make a couple of concluding remarks. We believe that the New Jersey Infrastructure Bank is a potential national prototype, as every State is seeking solutions to the critical problem of how do you fund your infrastructure, and your repair, your repair and construction of infrastructure in this time in which we live. This is a thorough and sophisticated proposal to deal with the problem common to every State and common to every region of the country. Through this bank we believe we can provide our citizens the basic underpinnings to economic growth and environmental improvement.

The bank I believe provides a feasible and workable alternative to programs of the past. It allows a State like us some measure of freedom from the current uncertainties of Federal funding, yet it maximizes the use of Federal funds which are received and yet its success is not wholly contingent on waiting every year for massive Federal subsidies. Our State will make use of any Federal capital contributions over the long term and thus over time reduce our demands on the Federal Government for expenditures on infrastructure programs.

By combining all our resources and the bank and managing our funds more realistically than in the past, we can assure a stable, continuing growing source of funds to meet the demands for adequate infrastructure and a cleaner environment.

Also in our own State, it is going to relieve some of the pressure on us. Continually we are asked to issue more debt in our own State and we would have to issue as much general obligation debt if we create the bank. It will also help to maintain the triple A bond rating we are so proud of in our State and it will also help the bond rating of local governments. Local governments will receive assistance from the bank where it would otherwise be largely unequipped to deal with the enormous financial needs. This kind of security will be unique, I believe, in history of any capital needs program in New Jersey.

It will not suffer any more from a crisis management approach which capital needs in all States were subject to in the past. Further, costs to individual users will be minimized by the bank's programs. We can't even estimate the number of jobs it can create. As I said, 50,000 construction jobs over the next 10 years in the sewer program alone, when you add the potential benefits of putting this into transportation, water supply and all the other programs, you have a tremendous number of jobs created that wouldn't be created any other way.

Construction jobs initially, as you know, as you create infrastructure, you create other jobs because you can go to companies and say, look, that intersection is going in, that sewer is going in and you can have the ability, therefore, to attract multiple numbers of other kinds of jobs.

I know that infrastructure has become a national issue in recent months. I believe New Jersey is taking the first step any State has taken to find a solution to the problem. A solution draws on all levels of government—Federal, local, State—and I believe will bring in some investment from the private sector also. I believe this kind of a comprehensive approach is what we need to solve our infrastructure problem that we as a nation have to face in the decades ahead. I believe it is a realistic solution to a very real problem. I thank you very much for the opportunity to make this testimony this morning.

Senator STAFFORD. Thank you very much, Governor. What we need down here is some new approaches on problems and I think you have supplied us with some really effective new thinking on the problem of infrastructure and how to cope with the costs. What you suggested could very well become a national model for the rest of the States. We are, again, very grateful to you for coming down here. We know there are constraints on your time as there are on one or two members of the committee.

The Chair is going to yield to Senator Chafee of Rhode Island who is supposed to be somewhere else.

Senator CHAFEE. Thank you very much, Mr. Chairman. Again, Governor, we appreciate the thoughtful approach you have given here. Just a couple of quick questions. As I see it, the savings here are the flexibility and the reductions that a local community has as a result of issuing their bonds through a larger organization.

But where I get confused is, on page 19 of your statement you say: "Very soon the Federal share will be 55 percent of a project."

As I understand your proposal, and correct me if I am wrong, there will be no Federal grant to the communities for a Federal share. Am I mistaken in that? In other words, the entire burden—

let's take a sewer project—the entire burden of a sewer project will be borne by the local community 100 percent, whereas currently, let's say 1983, that community could expect 55 percent from the Federal Government. I guess under your current system 8 percent from you, which is a 63 percent outside contribution leaving them with 37 percent. All that may happen in the future, but what is the inducement for the local community? The mayor says I am going to get 63 percent under normal arrangements and I am hopeful I will be at the head of the line, and here is the Governor who has a proposal in which I am going to get zero percent and I have to pay 100?

Governor KEAN. Let me introduce Bob Huey.

Senator CHAFEE. Bob was good enough to come by the office and I got the general proposal.

Governor KEAN. Bob says he has a specific example.

Senator CHAFEE. I don't need a specific example. I just need an answer.

Governor KEAN. The answer is that most communities now won't get any funding at all. That there are communities, obviously, who will be able to count on that particular money, but the vast majority of communities of New Jersey or any other State are not going to be able to get any Federal funds at all and therefore won't be able to do the project unless they go straight to the bond market themselves.

Senator MOYNIHAN. Is that because there are just not enough Federal funds?

Mr. HUEY. Yes, we have 237 eligible projects of which we will be able to fund this year on our priority list from 11 to 13. The rest of the authorization, 1985, we will be able to do parts of 24 communities. The real significance here is that many of our communities have no alternative at all and some of our communities, some of our 24 may not be able to sign the Federal grant when they get it this year under the grant program because they make a commitment to finish a project, and I can give you an example of a community that is No. 1 on our list.

That community is also No. 34 on our list, No. 35 on our list, and No. 101 on our list. The question really in March is whether you can afford to sign the grant which gives you the money to start a project that you can't finish. And I think beyond that, there has been a study recently in New Jersey which says New Jersey local municipalities have $1 billion in short-term debt out on projects such as these. For them they really have to have an alternative in place this year or their credit rating is going to be in serious trouble.

This gives something to everybody with some additional costs but it is a finite program. It is not a magical program, but even actually using all the resources we can capture we will be able to get to all 237 communites in some equitable way.

Senator CHAFEE. Am I correct in saying that what your proposal does is to effect some savings through flexibility with the bank issuing the bonds rather than the municipality doing it directly. The plus is you get your projects done. The downside is the entire burden for a project is to be borne by the municipality. Do they get their 8 percent?

Mr. HUEY. The 8 percent is going to be converted to a loan, too. You are talking about a 63-percent loan as opposed to a 63-percent grant. However, let me again state I don't think that is a major downside. We are talking about being able to make a commitment with a New Jersey infrastructure bank now, predicting your costs. We estimate that the $2.4 billion program that we have in New Jersey right now, which happens to match the Federal allocation for sewer construction, in the build-out period will take $6 billion to build.

So the question for a community is, Is it worth waiting 5 or 10 years, assuming the projects go forward like they have in the past, to get a 63-percent grant for a project that costs twice as much? So I am not sure the user is going to find it any different than he would under the loan program.

Senator CHAFEE. But I don't see how you get around the problem that the Governor mentioned which is that your municipalities have $100 billion of debt out there. They are going to have *x* billion dollars more of debt, maybe it is to the bank, but it's a debt, so this is not going to help their debt problem.

Mr. HUEY. I think it is, Senator, and the reason is that currently our communities, all 237, have short-term debt outright now, many of them against this program, against the sewer construction program. If there is not a long-term funding solution for those communities, their debt structure is in very serious trouble. Right now, as soon as it occurs to the world at large that they are not on a funding list in a fundable way in the next 3 years, I think their debt is very much in question. I think it helps them substantially to know, and for the financial market to know eventually New Jersey has a plan that will take them out of their situation.

Senator CHAFEE. Are you going to let them refinance their current existing sewage debt through this?

Mr. HUEY. They do it now through the program. Yes.

Senator CHAFEE. Thank you very much, Mr. Chairman. Thank you both, gentlemen.

Senator STAFFORD. Thank you very much, Senator Chafee.

As I listen to the discussion thus far, I noted that at some point loans are going to be made to communities at very low interest, or no interest. The question occurred to me, given the length of repayment on it and the probability, I suppose, that in some cases there will be default or at least stretchout on repayments. Would not this situation, no interest and even the possibility of defaults, and the cost of administering by the bank have a tendency to deplete capital?

Mr. HUEY. Actually, the way we have the program constructed now for sewer construction, we are talking about no-interest loans. The bank is not an add-on to the State government. We have a government which has priority lists in my department, the department of environmental protection.

The bank now becomes the funding mechanism and predictably can tell a community when it will fit onto the list. New Jersey also has, I think, a unique feature among State governments, we have all the direct aid accounts an be tapped for delinquency. When a community would forfeit, obviously our program depends on being able to pay community No. 10 because No. 1 pays back, if they

would elect not to in any given year, their State aid account could be tapped before the rest of the aid went through the community. So we have a fail-safe system within the State financing mechanism.

Senator STAFFORD. Thank you.

Aside from the bank issue, we can have a real challenge in seeking to analyze the real infrastructure need and how to establish priorities within that need. Do you have any suggestions beyond those made that would help us.

Mr. HUEY. We think that the need is just now being identified by other States. We got off to an early start because we were really scared about the priority list this year and started to look for alternatives, but I cannot believe that the problems which New Jersey have which are wooden water mains in Jersey City, which remind us every 6 months we have an infrastructure problem, are not probably part of every State in this country's needs.

I think that the infrastructure bank concept presents the Federal Government and the State government with a way to put a cap on commitment, but a logical cap on commitment. It's a slowdown in the process and what it does is it gives communities and States a way to plan their future, to make long-term commitments.

If the Federal Government were inclined, for example, to look at a jobs program, there is one jobs program in this country that is in existence ready to go for virtually every community in our State and certainly 237 of them, and they are all private industry jobs and they are ready right now. So any infusion of capital which could flow through to an infrastructure bank at the State level would really help us set up a program that would work right now for jobs, more important that will be working 10 years from now for infrastructure redevelopment.

Senator STAFFORD. Do you believe the bank proposal that you have outlined this morning using Federal seed money should be sufficiently broad to meet every aspect of public needs, water supplies, sewers, highways, public buildings, and parks.

Governor KEAN. You can see the logical application of it in almost every area. We try to move very slowly. We have tried to take the aspects that are easiest to see in a model, waste water as a model. You can extend it logically to other areas. I think you could give States certainly the flexibility to use it for many other areas. But I think we would like to walk before we run, and we would like to get it started.

Senator STAFFORD. Thank you, Governor.

My last question for the moment, can you estimate the cost differential to a homeowner hooked up to a sewage treatment plant built under the bank concept compared with the cost differential hooked up to a plant built under existing Federal law?

Mr. HUEY. Yes, our models which we have done for sample communities throughout the State would indicate that after construction, there would be approximately 25 percent increase in user fees. That set is composed of two models. One is the model we have a grant, and you can build today, assuming you can do it under 65 percent at the State level, not 55 percent and at today's cost. That is where the 25 percent increase would apply. And the other model, of course, is the community that cannot get any money. Their user

fees go up anywhere from 50 to 100 percent if they have to carry the burden themselves.

Senator STAFFORD. Thank you very much.

Knowing the Governor is under time constraints, I am going to yield at this point to my friend and colleague from across Lake Champlain, Senator Moynihan.

Senator MOYNIHAN. Thank you, Mr. Chairman.

Two quick questions, Governor.

Thank you so much for being here.

You mentioned that you would need an amendment to the Clean Water Act to give you the necessary flexibility to make loans. I am sure your two distinguished Senators will bring that in to us.

Second, a general point which I make for the record, but it's a matter that this committee has been concerned with for a very long while, is the question of the availability of Federal funds for water supply, and I think Mr. Huey gave us just a wonderful image.

There are wooden water mains in Jersey City. I heard you say that, sir?

Mr. HUEY. Yes.

Senator MOYNIHAN. And welcome to this committee.

Mr. HUEY. Thank you.

Senator MOYNIHAN. We have an anomalous situation in our country which is that in about half of our territories, Federal funds are available for water supply and in large amounts. But our system of approving new water projects has come to a halt because of our inability to make funds more generally available. It is the case that you can get Federal funds to wash coal, but not to wash babies and you can water cattle but people can't drink it. This is an historical development from the Bureau of Reclamation, and the general rivers and harbors legislation of the 19th and early 20th centuries.

We have in mind legislation that would simply consolidate all water resources funds into block grants which would be allocated roughly by half population, half territorial size. These funds would be turned over to the States to use this as they see fit for the list of authorized purposes to meet national standards, but the States choose. And a State may put it all into one dam and name it after its favorite Member of the House of Representatives. Or a State may want to put it into water systems where they can replace wooden water mains, you can do that, too. I guess, now that I think about it, you could put it in your bank because we have specifically said you don't have to spend it the year you get it. These dams are no longer free goods, as they were in the past. They were wasted and built everywhere and now cannot be built anywhere.

I don't mean to harangue you. Are you sensitive to this fact that general purpose water systems in New York, and New Jersey get nothing from the Federal Government?

Mr. HUEY. We are sensitive to it. New Jersey has one of the more aggressive State programs, and it is there because of the absence of other alternatives. We have a $350 million bond issue for water supply in the State which, interestingly enough, was created last year and revolves the money as set up as a loan concept so we can start to get to some of the needs we found, New York found.

Senator MOYNIHAN. We share the same water. Would you not think there would be an efficiency to a single block grant that the State could use in making the decision to priorities?

Governor KEAN. We could make our own priorities. I would be delighted to put those funds in the banks for revolving loans or whatever. As a Governor, anytime we can get flexibility in the use of funds that would be very helpful.

Senator MOYNIHAN. I offer you the thought that if more Governors would be pressing for this, they would get it. Out in the West, they are aware that nothing is happening. If this is the condition of something going forward, well, that is how we run our country, and it has worked so far. And let's hear it for New Jersey.

Curiously, we did not anticipate your brilliant public administration innovation here of the bank, but the legislation we have before this committee would allow you to put it in the bank and not spend it on anything that year but eventually to use it for authorized purposes.

So I urge you to consider our bill, if you are interested.

Governor KEAN. I would be very interested.

Senator MOYNIHAN. Thank you.

Senator STAFFORD. Thank you very much, Senator. Senator Durenberger, we are happy you are here.

Senator DURENBERGER. Thank you very much. I apologize for being late.

Governor, I will not attempt to ask you questions that I wanted to ask you yesterday on prospective reimbursement using the New Jersey model of diagnostic groupings. In your absence, somehow, we muddled through the New Jersey pilot and learned a great deal from it that we can apply nationwide. I am going to ask you just one question that is sort of indirectly related to this.

I see in your statement, one of your final objectives in coming up with this bank is "to decrease the States' reliance on issuance of general obligation debt to finance capital expenditures by using funds raised in this manner more efficiently." Consistent with this goal was the recognized importance of retaining New Jersey's triple-A bond rating.

I recall during the course of yesterday's meeting, we were talking about how New Jersey's hospitals can get a triple-A bond rating and a lot of other people can't. I think the consensus was, not necessarily from New Jersey but some of the other folks who were observing the process, that the basic regulatory approach to the predictability of hospital costs in New Jersey gave confidence to this lending system there.

Now, the reality, according to some of us in the health care area, is that eventually there is going to be a marketplace which has only transitional regulation and eventually people are going to be deciding which hospitals will survive, rather than the regulatory process.

I took that as an example of where maybe the lending, the investment community in America is not quite in touch with the reality of where we may be headed in financing health care. I also read in the Wall Street Journal the other day about how all of the foreign debt that is at risk in this country that is owed to American banks is about three times the amount of liquid assets. If ev-

erybody just said we aren't going to make anymore payments, what happens to our financial structure? Which leads me to, I think, one of the purposes of this hearing—it will probably be illustrated through some other witnesses. Where are we going and what is your responsibility, and what is our responsibility in this whole area of financing the infrastructure, to say nothing of financing the current needs of people.

We have to deal, Pat and I, in a different committee this year with mortgage revenue bond financing. The answers from Treasury will be predictable. We dealt last year in a very superficial way with industrial revenue bonds.

I am sure we will hear testimony on that. I know you are new. I know you picked up a State with lots of problems, and that sort of thing. If you have some general observation on this problem that I laid out, I think it might be helpful.

Governor KEAN. Very much so, Senator. You made your comments so global. I share the same concern this committee and other people do, not only debt issues to our own people, but the problems our financial institutions might have because of other extensions in other areas of the world.

We tried in our own State to be very responsible in that area. For instance, we look at our income in the State and we only issue, no matter what bonds are passed, we only issue a certain amount of those bonds every year so it is consistent with that kind of income.

We have—I won't say stronger controls, but we have a local finance area in the State government for planning operations which is stricter than most States have, as far as debt. These kinds of controls is one of the reasons why we have 8 or 10 States left in the whole country with a triple-B bond rating because we have been responsible about our debt.

Nevertheless, we are extremely worried and concerned about some of the municipalities which we feel have gotten overextended in the past. We recognize the national picture is not a healthy one in that area. This particular bank proposal is just as you say, aimed at trying to get ahold of a piece of this. Trying to do it in a planned way, trying to have revenue guarantee over and against a debt. One, user fee concept has to be established if we are to accomplish the need we want to accomplish. We will build very few of them.

We are going to be able to get our funds, lend them out, get them back; when we get them back, we will be able to lend them out again, use those funds over and over and over again to build, to get more jobs and build more projects. That is the way we have got to be proceeding. Not to do so, with the old system, one, we are not going to get the projects built, two, we are going to overextend our debt without a responsible method of repayment and we are going to get into increasing trouble.

This proposal is one way to guarantee in certain areas we are not going to get into that trouble in the future. You put your finger right on it. It is one of the bases for our proposal.

Senator DURENBERGER. Thank you.

Senator STAFFORD. Thank you very much, Senator Durenberger.

Governor, just a final question or two from me.

Having once had the privilege of serving in the same capacity in Vermont as you now have in New Jersey, I am aware that at the State level and at the local level in many States, including Vermont, there is the same tensions at times between local communities and the State that there often exists between the States and the Federal Government, that is some feeling of too much control from up above. So my question is, Do you anticipate any difficulties in connection with the control which the infrastructure bank would give the State over funds to communities in terms of communities reacting that they are being dictated to unduly from your State capital?

Governor KEAN. We do not feel that is going to be a major problem. Bob has met with a number of communities discussing this proposal.

Mr. HUEY. Mr. Chairman, we don't intend to change the priority list in any way so our rapport with the communities really doesn't change.

The difference will be they now have some hope of being funded. I really think it is going to clean up the process because we are going to be able to institute our own financial controls, many of these communities would like to see them and would change the relationship with EPA from our State level.

Senator STAFFORD. Thank you very much.

One final question: How would your proposal apply with regard to poor communities which still may not be capable of raising their share of the project? What is the magnitude of the savings available on pooling the debt for several communities into a single bond issue?

Mr. HUEY. Two answers to that. One is the bank will have the flexibility to adjust the number of years for paybacks so that it can be really adjusted downward from what we anticipate to be the standard. In addition to that, we think there are tremendous savings to the pool concept of bond sales.

Senator STAFFORD. We thank you very much, indeed.

I see that my most able partner and colleague on this committee, Senator Randolph, the ranking minority member, is here and I would welcome his comments and questions.

Senator RANDOLPH. I am your coworker, Mr. Chairman. It is not inappropriate for me to say, Governor, I served with your good father in the House of Representatives a few years ago. I remember him well and I have had occasion to meet you and to study your record.

I think only one question: How do you intend to put this bank proposal together as a part of the infrastructure of the State of New Jersey?

Governor KEAN. We envision different funds in the bank for different areas. In other words, if we are talking about wastewater and those are the needs, the Federal funds for that purpose and the State funds for that purpose, and the private funds for that purpose would not be put in that area of wastewater and go on the set priority list.

We will be able to work with the local municipalities and move down the list by segregating these funds.

We wouldn't expect to mix together various Federal funds or State funds that are designated for different purposes.

Senator RANDOLPH. You would not then envision any cross-purpose?

Governor KEAN. We do not envision any at the present time.

Mr. HUEY. As a matter of fact, Senator, the bond issues which we would be using to capitalize the bank are specific-purpose bond issues, so we would not have that right.

Senator RANDOLPH. Thank you very much.

My best wishes to you.

Thank you, Mr. Chairman.

Senator STAFFORD. Thank you very much, Senator Randolph.

Governor, I think we promised you we would have you out of here by 10:30. I see it is 10:30 and 20 seconds. We really appreciate your coming down and helping this committee.

Governor KEAN. Thank you very, very much.

Senator STAFFORD. If the committee and our guests would please be in order, the Chair notes that our most able colleague, Senator Specter of Pennsylvania, is here.

He is scheduled to be the next witness.

We welcome you here, Arlen. The chairman personally thanks you for accommodating your schedule to ours which has been a bit topsy-turvy.

We might just announce before you go ahead that you will be followed by a panel of economists of Richard P. Nathan, professor of public and international affairs, Mr. George D. Peterson, director, public finance center, Urban Institute and Roger J. Vaughan, senior fellow, Gallatin Institute.

Having said that, putting people on notice, Senator, we are glad to hear your testimony.

STATEMENT OF HON. ARLEN SPECTER, U.S. SENATOR FROM THE STATE OF PENNSYLVANIA

Senator SPECTER. Mr. Chairman, I very much appreciate this opportunity to testify before your committee.

I am appearing here in support of certain bills which I have introduced which touch on public works projects in the Commonwealth of Pennsylvania which have been necessary items for many, many years.

I would ask to insert my full statement into the record.

Senator STAFFORD. Without objection, we will place your entire statement in the record.

Senator SPECTER. I can summarize the highlights very briefly. In 1972, Hurricane Agnes brought tremendous destruction to many parts of Pennsylvania and it is going to recur one day in the flood areas as floods have occurred in the Wilkes-Barre area, Susquehanna moving down past the Milton, past the Lock Haven and into Harrisburg. These are matters of tremendous importance.

They are having engineering studies prepared many years ago; they are on the books; they are all ready to go and this is a unique time in our Nation's history to have these projects authorized when we are looking for ways to put people to work on matters which

are important on the infrastructure and where it is not a make-work project.

There is a similar matter on Presque Isle in Lake Erie. It is a matter which requires a barrier to preserve the isle. It is an enormous tourist attraction for the northeastern part of the United States, a beautiful spot, relatively lesser amounts of costs, something in the $24 million area. It has been on the books for many, many years. There have been proposals by the Corps of Engineers, again, all set to do and this is the time to reactivate.

There is one other area that involves the locks and damns of the Pittsburgh area where there is the influence of the three rivers. Those locks and dams have been unattended since 1972. My colleague, Senator Randolph, knows the area very well because it touches so much directly on the State of West Virginia.

There has been attention to some of the waterways on the Tennessee Tombigbee, but there has never been attention directed to the locks and dams in Allegheny County, Pittsburgh that affects West Virginia and Ohio.

Here, again, it is the time when this project could be undertaken to stimulate jobs and provide indispensible items for the public welfare.

Mr. Chairman, that is the essence of my testimony. Senator Heinz, I know, is vitally concerned about these issues. Presque Isle touches on New York State as well as Pennsylvania, the locks and dams on Ohio and West Virginia, really, as the rivers go downstream.

I would certainly hope that this committee will look favorably on these projects and undertake in a broader sense, as my statement does, that a jobs program is really necessary. I personally was very disappointed when the Senate passed a $1.2 billion jobs program on a continuing resolution, the House passed a $5.5 billion jobs program that we compromised zero.

It didn't seem to me that was a compromise between $5.5 billion and $1.2 billion. We backed off because the President threatened to veto the jobs program. My sense was we were not doing our duty. If the President has had much responsibility to keep the Government running as we did and we should have passed the jobs program with the continuing resolution.

If he vetoed it we could have perhaps come to grips with it perhaps at a compromise. That is a matter of greater urgency and a proposal being heard of in all quarters. This committee has the unique insight, unique opportunity to make it happen.

I commend you, Mr. Chairman, for having the hearings and for affording me an early opportunity to testify and I shall be pursuing you as the matters go forward trying to get these on the books.

Senator STAFFORD. Thank you, very much, Senator.

I can assure you that the committee and our subcommittees bill take seriously the proposals you put forward. One of the criteria we are looking for are projects that can be started quickly because we don't want to find that we are authorizing a program that will result in jobs 2 years from now instead of right now.

We need employment now. It will be nice to be sure we have it 2 years from now also, but the economic climate in this country may

change a great deal in 2 years as we have discovered in past attempts to meet two earlier recessions.

Not an important item in considering what you told us, but could I inquire if the Piper aircraft is still present, in Lock Haven?

Senator SPECTER. Yes, it is.

Senator STAFFORD. They are building their larger airplanes there, is that what they do?

Senator SPECTER. Mr. Chairman, I cannot respond to the specific types of planes, but Piper is still a big employer in Clinton County, Lock Haven, Pa.

Senator STAFFORD. Thank you, very much.

We will give what you have told us very serious consideration.

Senator SPECTER. Thank you, very much, Mr. Chairman.

Senator STAFFORD. Senator Randolph.

Senator RANDOLPH. I will not detain Senator Specter except to reemphasize, Mr. Chairman, what you have said. There has been much attention given within this committee, Senator, to some of the matters you bring to our attention.

I only step aside for a moment, when our good chairman asked you about Piper, I remember when I went to Lock Haven one evening and addressed a banquet of over 1,500 workers of Piper—I knew the original Mr. Piper. And then flying back down into the Harrisburg region, the skies were very low and we had to fly just above the river.

We quickly saw we had to set the plane down. So we went into a field and I knew what was going to happen.

I knew that when we landed the wheels would not roll. We would be subject to the plane tipping over on its back. That is exactly what happened. You want to get out quickly and that is not always easy, but I just remember the occasion. I remember the spirit of Mr. Piper as he went across this country, he and his wife, in single engine aircraft telling the men and women of the country of what he felt would come through the benefits of aviation.

Our good chairman, Senator Stafford is a pilot himself, and that is why I thought I might be pardoned for telling this story.

Senator SPECTER. What happened, Senator Randolph, when the plane tipped over. You left out a rather crucial part.

Senator RANDOLPH. I say you get out quickly because there is always the possible danger of fire. When you are upside down and strapped in, you don't know what is happening and you don't think these matters through.

I stepped out into a field which and walked about half a mile to the road, through the mud and waved at passing motorists until one of them stopped. I said I need to get to Washington as quickly as possible and he said I work for the Pennsylvania Railroad and I am on my way to the station now. He looked at his watch and said we may make it. So we did, and I stepped off the rear of that train as it came into the Nation's Capital.

Not only Lock Haven, but communities all over Pennsylvania and West Virginia are hit by unemployment. As you know, in the upper Ohio Valley, which includes, West Virginia, Pennsylvania and Ohio, they are having very high unemployment. If we can see a turnaround it would be very helpful, but because of the types of industry, steel and so forth, that change is not taking place.

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I do think we will come back but we will have extra problems in many parts of the Commonwealth of Pennsylvania and Ohio and West Virginia.

I mention only that the Ohio River, of course, flows south, but the Monongahela River flows north.

There are not too many streams that flow north. That stream moves through Fairmont, Morgantown and then up to Pittsburgh.

The reason I am taking this time is to emphasize what the chairman said, that jobs should begin now. We have had, as he and the other members of the committee will recall, testimony, which indicated that when there was a reduction of employees in the Corps of Engineers, that reduction did not take into account the antiquated machinery in operating those locks on the Monongahela River.

I did not protest then except to explain that you could not lay off people who were the only ones who knew how to handle the operation of those locks because when you bring in someone new who has not done it the locks will not operate.

That was revised, Mr. Chairman, and they give consideration to keeping on the job people who knew how to handle the movement of traffic on that river. So we have so many problems not only machinery but of the human as well. That was one example.

I don't know what would have happened but we do know those cargoes from the mines, the factories, and the fields would not have been moving on that river had we just summarily laid off the people who knew how to operate the locks and dams on that particular stream.

For your interest and that interest which is shared by your colleague, Senator Heinz, we are very grateful.

I join the chairman and other members of this committee in saying that your testimony helps us to understand the desperate plight in which we find ourselves at the present time.

Thank you, very much.

Senator STAFFORD. Thank you, very much, Senator Randolph.

Senator Durenberger.

Senator DURENBERGER. No questions.

Senator STAFFORD. Senator, thank you, very much.

The landing my most able friend referred to is still known as a 3-point landing, it is both main wheels and the propeller.

Thank you, sir.

Senator RANDOLPH. We were riding in a Piper. I want you to know that for the record.

Senator STAFFORD. We now ask the panel of witnesses to come forward, Professor Nathan, George Peterson, and Roger Vaughan.

The chair indicated earlier, Professor Nathan, who is professor of public and international affairs at Princeton University and no stranger to the scene down here, we are glad to welcome you back, Dr. Nathan.

Mr. Peterson is director of the Public Finance Center, Urban Institute.

Mr. Vaughan, senior fellow, Gallatin Institute.

The Chair would propose that we hear all of you first without interruption and see if there is some dialog between you and between us on the committee.

We would defer to you, if you wish, as to who goes first, second, or third.

STATEMENTS OF RICHARD P. NATHAN, PROFESSOR OF PUBLIC AND INTERNATIONAL AFFAIRS, PRINCETON UNIVERSITY; GEORGE E. PETERSON, DIRECTOR, PUBLIC FINANCE CENTER, URBAN INSTITUTE; AND ROGER J. VAUGHAN, SENIOR FELLOW, GALLATIN INSTITUTE

Mr. NATHAN. I will start it out.

Senator, I appreciate the chance to be here. I have a prepared statement which I am just going to highlight and ask that it be inserted in the record.

Senator STAFFORD. That will be particularly agreeable to the committee. We would encourage all three members of the panel to submit their full statements to be incorporated in the record and we will so move without objection at the present time. If you might summarize them rather than just simply read them in the record, but if you wish to, we will be agreeable with that.

Mr. NATHAN. I am happy summarizing my statement. What I would like to do is summarize it in a way that focuses on some issues that have been introduced in the discussion this morning.

The chairman has spoken about the need to consider public works projects that are job creation projects on a base that enables people to move into those projects rapidly in a period when we are concerned about high levels of unemployment.

I will focus on job creation, infrastructure, and the time and legislative considerations that go into making these kinds of decisions.

In my statement, beginning on page 2, there are five underlined statements. I am going to speak to each of those statements. The first statement is that the problem in the current period is that there are not enough jobs for everyone who wants to work.

We can do what we want to give priority in Government programs to different groups, to displaced workers from declining industries, to welfare recipients whom we want to get off the welfare rolls, to problem youth, to other new entrants to the labor force, to women, and to people who have just become unemployed. But the fact remains that unless we create jobs, there are not going to be enough jobs to meet all the needs.

Two fundamental alternatives are presented.

One is that we can wait for the economy to rebound and increase the demand for labor. Looking out 5 and 7 years, the problem of an inadequate supply of jobs may not be as severe, depending upon what assumptions you make. We can wait just until that great day occurs, or we can act now to create jobs.

The second point is that job creation can work. There is a lot of discussion to the effect that all job creation programs, particularly in the public sector, are "make-work" or leaf raking and non useful kinds of work, or that local governments simply use this money in place of their own money. We have done a lot of research over the last 5 years on government programs to create jobs. It is my conclusion that Federal Government job creation programs can work.

We have just completed a study of the CETA public service employment program. The CETA jobs creation program created

almost a million jobs in 1978; the program worked rather smoothly. Many people who needed work got jobs in the private sector, many of them on public works projects, mostly low-level maintenance and rehabilitation, quick and short public works projects, like parks and road and street maintenance.

This program, the CETA jobs program, started up in earnest in 1976 and ended abruptly in 1981. The Government has also created jobs and job programs in other ways. I refer in my testimony to the fact that under the Reagan "workfare" provisions of the 1981 Omnibus Budget Reconciliation Act, we are requiring that certain groups of welfare recipients in selected areas in every State accept work in order to receive their benefits. The Manpower Demonstration Research Corporation, which I have worked with for a long time, is conducting a national study on how these "workfare" provisions will actually operate. We have 4,000 people in our largest test site in San Diego registered to go into "workfare" jobs.

So job creation is not something that the Federal Government comes to without any experience. My point today, if I could make one key point, is that in this phase when everyone is trying to work out ways of thinking about new job legislation, it is important to look back at this experience. There was a big public works jobs program just a few years ago with some good features. There are "workfare" programs now under way in some jurisdictions for welfare recipients.

The third point I make in my testimony is that the CETA-public service employment program "came a cropper in 1978," and that was because of what Congress did to it. In 1978, Congress changed the rules, said that the jobs had to be of a shorter duration and required very tight targeting on very disadvantaged workers. All of our grant-in-aid programs are a political bargain between the National Government and local and state governments to get them to do something. The local governments who put people to work in these CETA jobs felt that the bargain had come apart in 1978. What happened in 1978 is that the legislation was changed, the rules were changed, and local governments didn't like the bargain anymore. So they used those jobs for less important purposes and assigned them to nonprofit organizations. They no longer had these CETA workers doing as useful work in jobs with some training that can provide transition into the regular labor force. There are many goals it would be good to achieve; you have to blend infrastructure and public works goals with human resource employment goals in a job creation program. The duration of jobs, how much you can pay, who is eligible, what they do, all kinds of features of legislation have to be taken into account in the policy bargaining process.

We studies five years of the CETA jobs program. Despite allegations and claims to the contrary, we found that substitution was not as big a problem as lots of people think. That is because these programs are uncertain. Local governments are not going to put money into their regular budget if they think that money isn't going to continue to be provided and that they will have to raise taxes to keep those jobs going.

So the tendency is to keep public service job programs off to one side, because of the uncertainty about the Federal funding, because

of Federal requirements, and generally because of the fickleness of Federal policy.

That works out rather well, I think, from the vantage point of achieving public works types of objectives, because the best way to use these jobs is for "one-shot," on-the-shelf projects that you couldn't otherwise do, particularly those that use a fairly low level of job skills and educational background.

In short, there is experience that can tell us a lot about how we can blend different objectives to develop job legislation that would achieve several policy goals. This depends on what you want to achieve. One goal in particular that has been achieved under previous programs, that can and does work, is to undertake low-level public works rehabilitation and maintenance projects. Long-term large-scale public works projects are much more difficult to do as job creation programs.

A final point, the fifth point in my testimony, the idea that useful work can be performed in the public sector by workers who need work—killing two birds with one stone, that is, providing work for the workers and services to people who want them provided at the local level—is a very complicated idea. To assign the task, as I have heard some people suggest, to banks, or in some casual way to an administrative apparatus that can't do this job would create lots of problems. This is a turbulent period for employment and training organizations at the State and local level, because we are switching from CETA to JTPA. And while all of that may seem pretty clear in Washington, it is extremely complicated, turbulent, and unclear in almost every local government in this country. So to put a jobs program in now, in a system for administering such programs that is strained by all of these new requirements, takes, I believe, some careful attention to the administrative implementation.

To conclude, you have to think about blending different policy objectives and the implementation or administrative apparatus that can put them into effect. Overall, what you are really looking at is a bargaining decision process where it is very important to take into account past experience—that is my main point. If you want local governments to do something, you have to think about why they will want to do it. That seems a pretty obvious point. I spent 20 years in Washington. I know from experience that we often don't take that into account.

Senator STAFFORD. Thank you very much, Dr. Nathan.

Who will be next?

Mr. PETERSON. My name is George Peterson. I am delighted to be here, Mr. Chairman. If I may, I will summarize the highlight of my written statement.

Senator STAFFORD. Certainly.

STATEMENT OF GEORGE E. PETERSON

Mr. PETERSON. For the past 6 years, our organization has conducted studies of the condition of public facilities and the investment backlogs that communities face, much of that in collaboration with local governments and their business communities as they set

investment priorities or in cooperation with State governments in conducting statewide assessments.

One fact stands out in that work, that is the variability of capital stock conditions and the locally specific nature of capital investment priorities. We are working collaboratively with governments in the Cleveland area. Their clear first priority is reinvestment in the region's water distribution system. A few years ago that system deteriorated so badly that a local judge ordered the city to surrender ownership of the water system on the ground that it is wasting assets to the entire region as part of neglect. The case was going to take $800 million of investments in the water distribution system solely from local revenues.

Elsewhere the priorities are quite different. New York City and Philadelphia are two places where there has been almost catastrophic deterioration of transit performance. They quite properly designated transit reinvestment as their No. 1 priority program. In New York City's case, it will cost them $11 billion alone.

On table III of my written testimony, I have shown an illustration in one particular functional area, the great range that exists in current capital stock performance, that happens to be a description of water systems but an equal range of variation exists for almost all other aspects of other capital public facilities.

There are three conclusions I think that follow Federal policy designs. First in designing a new Federal assistance program, it is unwise to try to establish uniform national priorities regarding local capital investments needs. Second, at least the margin of Federal policy should be moving to allow local and State governments the flexibility in selecting their own investments priorities. I think two forms of Federal assistance are particularly consistent with that design.

One, the infrastructure of block grants, which would allow local judgments as to priority uses and secondly some form of infrastructure bank under collaboration with State governments where States could lend funds at subsidized rates across a variety of functional areas depending upon their own requirements.

And thirdly that Federal policy should be encouraging stages, and the States should be encouraging their local governments to conduct their own assessments of capital conditions, that is, immediate investment priorities. The Federal Government can provide a model for conducting those studies but, in my estimation, it is an unrealistic goal for the Federal Government to carry out nationwide inventory of local stock, as has been suggested in some quarters.

I think we can learn from the past in another respect, what we need now is a long-term commitment to an infrastructure program. The local public works bills in the latter 1970's makes scarcely a dent in the long-term problems of capital facilitities. Here I think because my perspective is a bit different, I differ from Dick Nathan in that although the low maintenance repair activities carried out under local public works were quick in providing jobs and could be put into effect quickly, they weren't the long-term priorities that the city would have if its goals were to make sure capital facilities are functioning now and a decade from now.

There is some degree of conflict between long-term infrastructure preservation and the fastest provision of jobs in the short term.

I believe that we need from the Federal Government a tangible expression of long-term commitment to infrastructure reinvestment. I think that is one of the principal advantages of a bank or institution like a bank would have. Its permanence, its visibility, the professionalism that would go into the institution itself. It is not that loans are a magical way of meeting costs or that they are less demanding financially than grants, but primarily that a bank represents an institutional commitment and one that is more difficult to disavow than a block grant program and one that is designed to recycle loans upon repayment for new projects guarantees that a Federal attention to this issue for a decade or two decades into the future.

Let me add as an aside that I myself would have been much more persuaded of the case for infrastructure bank or new infrastructure initiative if the States and local governments themselves were going to volunteer to surrender some of their other borrowing capacity in favor of this instrument.

If infrastructure finance today is a priority these governments might consider, the Federal Government might require them to consider offsetting reductions in the volume of tax exempt borrowing for middle-income home housing mortgages and for restrictions on industrial development authority, some recognition there isn't enough financing to go around for every laudable public enterprise and that the States and localities have to cooperate with the Federal Government in establishing priorities.

Let me turn to the jobs aspect, naturally between infrastructure and jobs. In the past the Federal Government has made temporary public works programs a major part of its countercyclical employment policy. My only estimation is that the record indicates that those programs have not succeeded very well, and a new public works commitment should be designed not principally of short-term job creation, athough it should be designed to support that objective.

I say that for three reasons. First, it is already too late for a temporary public works program to be truly countercyclical. Look at the history of the last public works initiatives show just how challenging the timing is. It took 3 years for the Federal Government to disburse 90 percent of the funds. It took even longer for local governments to expend them.

We could do better this time, we could operate more efficiently and undoubtedly the administrative apparatus has been improved to disburse the funds more quickly. The greatest efficiency at all levels of government, a general public works program cannot be countercyclical at least for the current economic cycle.

Second, there is the danger to extend deliberation over the program would actually depress public investments by local governments in the immediate future as they await the infusion of Federal funds and as they did in the last recession, postpone investments until the Federal funds arrive.

Finally, temporary public works bills have not done a good job of reaching the entire spectrum of the unemployed. In my written testimony, I have a comparison of those who work in the local public

works programs of the construction labor force and total civilian labor force. As you can see, the temporary public works programs almost entirely failed to reach the female working population, less than 1 percent of those were female. Did a poor job of reaching youth, underrepresenting both the general labor force and particularly the unemployed portion of the labor force and youth provision of jobs, didn't do a very good job of contracting low income or long-term unemployed.

My conclusion there would be that a public works initiative can't be the mainstay program of a comprehensive job creation strategy. That public work spending does effectively reach construction workers, that that group of the labor force is currently afflicted with very high unemployment rates and consequently a public works program can be an important part of a job strategy as well as other elements of that strategy are trying to reach the women and youth and low-skill workers.

Although an infrastructure program isn't especially effective in the short term as a job-creation device, the timing is consistent with a launching of an infrastructure program. There certainly is no excess demands for workers for whom jobs will be created. The county can absorb them well now. Aside from the deficit problems, there won't be any more favorable moment for launching an infrastructure initiative.

One observation about the long-term structural arrangement, whether an infrastructure program exists in our relocation of our skilled workers, the answer to that is yes to some degree but unfortunately we don't know as much as we should. We know, for example, very little about the specific skill requirements of different kinds of infrastructure reinvestment projects. In the short run, we in our organization of the American Society of Civil Engineers are trying to fill that information gap.

We are convening a conference of private contractors, local and public works officials, engineering consultants to identify the skill requirements both direct and indirect through material provisions that go into different prototypical construction jobs necessary for public works investments. In the longer run, I would hope any program the Federal Government encourages would include a planning element which not only requires Governors to assess current conditions at facilities, to assess readiness of immediate investments, readiness to go of projects, but matches the skill requirements of that investment with the skill distribution of the unemployed labor force so a State like Michigan can design a program that will help relocate or retrain its skilled workers and that the relocation of the skilled unemployment in the automobile industries and steel industries will be a key element in consideration of infrastructure policy in the future.

Thank you.

Senator STAFFORD. Thank you very much.

Now we are happy to hear from you, Mr. Vaughan.

Mr. VAUGHAN. Thank you.

STATEMENT OF ROGER J. VAUGHAN

Mr. VAUGHAN. I too would like to summarize my written statement. The infrastructure problem is a long-term problem, as George Peterson has just said. It would be a very serious mistake to try to address the underinvestment in investment and maintenance of public capital with a short-term, make-work program.

Unfortunately, that seems to have been the tradition during the last two decades. I am briefly going to outline four steps that the Federal Government should take to improve the efficiency of public works investments and then I would like to summarize some of the major points against using a public works program as of a way of providing jobs during this recession.

The first step the Federal Government should undertake is to decentralize the responsibility of making public capital investment decisions. By and large Washington does a poor job in picking projects. State and local governments are in a much better position to identify where moneys needs to be spent.

Unfortunately, Federal categorical programs destroy local flexibility. There are cases after cases of State officials deliberately allowing public facilities to deteriorate in order to qualify for a certain type of categorical Federal grant. That is wasteful and unnecessary. I would endorse George Peterson's suggestion for an infrastructure block grant rather than innumerable categorical programs.

The Federal Government can play a role in specifying conditions that water supply systems and interstate highways have to meet, but the responsibility for deciding how to best meet those conditions should be made at the State and local level. We should decentralize the interstate highway system, in the long run. It seems a little short-sighted to be phasing out tolls and State toll roads, where interstate highway funds have been used, at a time when we are underinvesting in highway maintenance. Under current legislation, this is what happens.

A second and related step is to set up state infrastructure banks of the form that was described earlier this morning by Governor Keane. These would pool State and Federal resources to meet infrastructure maintenance and development needs.

The third step is that the Federal Government should recognize that the tax exempt bond market has undergone a major change, because of changes in the Federal tax code. The advantage of tax exempt issues has narrowed, and is now below 20 percent. Instead of trying to force more bonds in a narrower market, the Federal Government should allow State and local governments to issue taxable bonds with a 35 percent Federal interest subsidy paid for by the income tax payments of bondholders.

This approach would have no net impact on the Federal budget since the tax revenues from the interest on the taxable bond would be about 35 percent of interest income. Basically the people paying for this program are those high-income households who presently gain a very large benefit from the purchase of tax exempt securities.

The taxable bond option, which has been suggested several times during the last decade, should be an option, not a replacement of

the tax exempt bond. The table bond option is worth serious consideration today.

Finally, the fourth step the Federal Government should take, is, as has been suggested before, to develop captial planning and budgeting procedures that allow State and local governments to understand the dimensions of the infrastructure problem.

There are very wild estimates, running between $1 trillion and $3 trillion, of what needs to be spent over the next decade. It is a sad comment on our complete inability to even assess the size of the problem. Until we develop capital budgeting and planning procedures systematically, at all levels of government, we are unlikely to spend any additional money efficiently that the Federal Government should allocate.

Let me close by underscoring some of the points George Peterson made against the attempts to resurrect a countercyclical public works program. It simply will not create jobs. The experience in 1976, with the injection of $6 billion was under the Local Public Works Program, as George Peterson said, to create more unemployment.

State and local governments cut back on capital spending, which had been recovering during 1976. They withheld spending until they saw which local project would receive Federal funds. Providing 100 percent Federal funding of projects in that manner does not lead to judicious project selection at the local level. This is a lesson for all infrastructure proposals.

Most of the money under the local public works program was spent during 1978 and 1979, which were boom construction years. In several States there was difficulty in getting construction firms to bid on the projects, because the economy had already recovered healthy. The types of projects undertaken were not the type that solved local infrastructure problems.

By trying to emphasize quick starting projects, the Federal Government will downplay much need long-term projects. You cannot solve a long-term problem with a short term program.

I urge this committee to consider a more long-term solution to the infrastructure problem.

Thank you, very much.

Senator STAFFORD. Thank you, very much, Mr. Vaughan.

I guess, then, you would approve of the steps we took to provide a 4-year program for highway construction and reconstruction in December, which does give continuity to this aspect of infrastructure jobs.

Mr. VAUGHAN. Yes, although I would have preferred to have seen some of the categories broken down.

Senator STAFFORD. I do have a few questions here that I shall address initially to a specific member of the panel, but I would invite others if there is a difference of opinion to comment briefly.

So I will start, Mr. Vaughan, with you.

Can you give us an example where local officials have let projects deteriorate expressly to get new Federal money?

Mr. VAUGHAN. There was a recent study by the General Accounting Office which quoted several State officials on both Federal and highway projects.

Senator STAFFORD. You say there were specific examples in the GAO study.

Mr. VAUGHAN. In order to protect the State officials and allow them continue access to the Department of Transportation and Environmental Protection Agency, they were not specifically named.

Senator STAFFORD. Mr. Peterson, could you comment further on why did the local public works programs fail so completely in reaching women and youth?

Mr. PETERSON. I think there are two reasons. One is the nature of the projects themselves and the second reason is the requirement that they be put into operation swiftly. The nature of the projects were mostly of the character of mine or repairs, fix up a billing, fix up grounds, parks, equipment in parks, fix up streets.

Those are jobs which traditionally have been performed by males, probably more traditionally than necessarily.

Second, the people responsible for administering these programs are mostly public works officials who are simply more familiar with, have easier access to the male labor force.

When they go out to advertise these jobs, that is where we turn.

Senator STAFFORD. The Chair was just wondering about a positive descrepancy, less than 1 percent women and 99 percent men reached by these programs, would the fact that women seem to be a bit more stable in their holding positions in the job force than men have any impact on that?

Mr. PETERSON. Actually in the last recession, the unemployment rates were very nearly equal, although in this recession, there is some evidence of a more cyclical vulnerability of males.

I would say a portion of that could be explained by the difference of unemployment rates is very marginal.

Senator STAFFORD. Thank you, very much.

Mr. Nathan, your thesis that job creation can work.

To what degree do these employees move into permanent jobs?

Mr. NATHAN. I probably come at the topic for today from a different direction than the other witnesses.

To me, the first law of Federal spending is that there tends to be spending on whatever is a hot issue at the moment. Right now, unemployment is of great concern. It seems to me, one thing you have to consider is whether it would be good to turn the question around and say, "if we are going to have jobs legislation, what kind of jobs legislation can also achieve certain types desirable of public works objectives?"

I agree with both my colleagues that public works programs, like the LPA program that we had a few years ago, are not going to be a good instrument for job creation, but there are certain kinds of public works objectives that can be achieved by job creation programs. We are probably going to have jobs legislation.

This committee and others who are interested in public works projects would like to see these goals in that area achieved by this legislation. There are things that can be done to help bring that about.

Senator STAFFORD. Thank you, very much.

Might I ask this question of you all and then I will yield to Senator Moynihan?

I think you all heard the testimony of Governor Kean this morning relative to his proposal for an infrastructure bank system in New Jersey.

Would you have any comments in connection with it?

Mr. VAUGHAN. I think it is an excellent basic mechanism for decentralizing public works investment decisions and increasing the physical capacity of State governments to make those investments.

Mr. PETERSON. I would like to emphasize two points, both of which I made in my written statement.

First, the bank doesn't create more money, it doesn't create more funding; it reallocates it and I think the Governor made a good case that by using the funds to reach all eligible projects rather than a few with lesser support for each that they are making a rational reallocation of scarce funds.

Second, to my mind, the promise of a bank likes in the long-term tangible expression of continuing interest and commitment to this issue.

More important is a symbol and continuing institution as a professional capacity and I think as a lever to exert certain controls over local governments, not in what they invest in, not in their selection of priorities, but, yes, if they are going to borrow from a State institution, they have to adopt user fees, they have to be realistically priced, they have to be provided for capital investments and maintenance, you should allow local governments flexibility.

It is not State government's job to create new financing institutions which allow us to continue to provide services unrealistically priced simply for political reasons.

Mr. NATHAN. I think it is a good idea. It is, in effect, a back-door national development bank. There has been a lot of discussion of legislation to create a national development bank. You can do the same thing if you are willing to use Governor Kean's proposal to provide some assurance on a continuing and long-run basis that Federal funding for capital programs like wastewater treatment and mass transit, which are the two most important, will be sustained over a long-enough time that States and localities can count on that revenue and sell bonds against it. The key to his proposal as much as anything else is that legislation would have to be adopted in Washington.

Senator STAFFORD. Thank you, very much.

Senator Moynihan.

Senator MOYNIHAN. I have one question only, other than to thank each of you for extraordinarily helpful papers, that will help us think about it.

I have one statement and one question. The statement is in defense, I might say, of this panel, this committee. We have been concerned with infrastructure. We are the Public Works Committee. For 6 going on 7 years, now, I have been a member; we have been trying to get people to make studies for us about what the dimension of this situation is. In the mid-1970's before my colleague Senator Durenberger came aboard, we began to get the impression that we might be disinvesting in the public infrastructure, if you remember that. We passed a law that told the Commerce Department to find out.

We are well aware of the time lags with respect to public works as against the cyclical business cycles. Remember, this business cycle may have bottomed out and we may stay bottomed out for 15 years. These programs may catch up, contrary to the Appalachian program and the 1975 program.

Just a question:

We have been considering legislation here that would try to make a national inventory of needs and it fell afoul of all sorts of committee territorial imperatives and things like that. But, Mr. Vaughan, I believe you began your paper, as I recall, saying—you started out by wondering what is the magnitude of this question and by order of two at least you would not be sure, yourself.

Do you think as a practical matter we can, in some sense, maintain some national accounts here, establish them and keep abreast of them?

Mr. VAUGHAN. I am not sure that is the urgent need. It is more important to develop capital development procedures throughout the Government. Certainly the Federal Government should keep a very close inventory of those public works for which it is responsible, but I believe that a large list might simply become sort of what we want for Christmas by local governments.

Senator MOYNIHAN. Yes, but there is an intermediate point, between a large list, and a State where we have not the foggiest idea, wouldn't you say?

Mr. VAUGHAN. I believe one of the functions of the State infrastructure banks would be to build inventories of those public works for which those banks would be responsible. I would prefer to see State and local governments doing that job, rather than the Federal Government.

Senator MOYNIHAN. Even with respect to those areas which are by definition involved in more than one State—you said that, where the Federal Government has primary responsibility?

Mr. VAUGHAN. Yes.

Senator MOYNIHAN. But we have one State bank which we are probably going to get. It does not exist yet, it is in legislation, right? Well, like Minnesota started remedial teaching in 1904 and last year it got to Mississippi. The general progressive State programs take about half a century to make their way across the Federal system.

I don't disagree with you.

Mr. PETERSON. Could I offer a comment, Senator?

Senator MOYNIHAN. Yes.

Mr. PETERSON. I certainly would not be one to underestimate the value of information. I think the bridge assessments, for example, legislation adopted here——

Senator MOYNIHAN. That was an example.

Mr. PETERSON. That was responsible for our understanding of the bridge problem and we had nothing but wild guesses before and we have quite a good bit of information now. I would make one qualification, which is, aside from banks, we have identified 15 States now engaged in either tearing out or planning satewide inventories of condition assessment of other aspects of establishing investment priorities and I would think that your first priority would be to enforce those State activities. The volume of information that goes

into local facilities for the entire Nation, and it is almost incomprehensible, the State level offers the quickest opportunity to conduct those assessments, act upon them in allocation of investment funds, and from that list, that might take 2 or 3 years to develop, to identify the portions of that information which are of most interest or use to the Federal Government, so the Federal Government can also draw upon that experience and maintain a Federal information source.

Senator MOYNIHAN. You see, that assumes there is a place in the Federal Government where that kind of activity takes place and there is none now.

Mr. PETERSON. That is correct.

Senator MOYNIHAN. It is no one's task, as they say in the intelligence world, to do that job.

One more thing. Yesterday in the Budget Committee, we heard from Peter Peterson and Douglas Dillon and Henry Fowler representing that group of business executives, and so forth, with their bipartisan appeal. They had some numbers which I asked if they would get more of. I suppose it is getting tedious to compare ourselves to the Japanese performance in everything but they estimate in the 1970's, the Japanese investment in infrastructure ran at a rate five, six, seven, nine times of that with the United States. They have some numbers which might be interesting. They make a point that—not very complicated point—that Federal spending can have different consequences, spending in economic goods, such as highways and sewer systems is a different kind of spending than spending for purposes of consumption. Brilliant insight, but if there is that much of a variation, that suggests something.

Thank you, Mr. Chairman.

Thank you, gentlemen.

Senator STAFFORD. Thank you very much, Senator.

Senator Durenberger?

Senator DURENBERGER. Thank you.

Pat's comment about the Japanese reminds me that my very first trip to Japan came in February of 1981, and like I suppose most Senators on their first trip or at least because that was the election of the President, I was invited to address a group. I made a point, I recall, at the time that turning this Nation around was not as simple as coming to grips with taxes and spending in the general sense of what was being promoted. I was privy to some of these statistics when I went over there with the infrastructure problems that exist in this country; not just the type of physical improvement projects that we are talking about here, but the problems of energy and some of these other problems that are infrastructural in nature and financing.

I would like to ask a couple of specific questions, but maybe first dealing with the practical realities and I compliment the Chairman on inviting these three people to this hearing because they do tend to look further into the future than we are inclined to. I wonder if practical reality, in terms of your advice to us, is not that we should not provide and make some decisions about a short-term solution to some of our job-related concerns that is infrastructurally related and maybe take a little advice about why it is possible to do job creation, but recognizing the liabilities that George pointed out

in terms of union structures and the impact of Davis-Bacon, so far, on males and youth and a variety of those things. But we should be committing ourselves to some sort of short-term solution.

I came up with one last test, which I mentioned last week, which is double revenue sharing for one quarter, within the law the President can sign an order sending out $1 billion and let the folks out there make the decisions. That probably is not enough money.

Then the importance from this committee's standpoint of taking the challenge I think you have given us of coming up with a long-term statement of where we are going as a nation. With all due compliments to those involved in the gas tax bill, I am not sure that a 4-year program of Federal highway construction is a long-term statement. I would rather believe that my proposal, which I floated, but then pulled down, to permit the States to buy out the Federal gasoline tax, a better long-term statement. Some of the things this committee has been working on for a long time, and Pat just mentioned one as an example, are more in the nature of a long-term statement that gets lost in the pressure from everybody else around here that is not privy to the work of a committee like this. Your proposal to block grants to the States on water resource projects so Allan doesn't have to sit here and talk about turkeys every time we hear budgeting water resource projects. Those sort of things are long-term statements. Do you have a general reaction about the feasibility to our making a short-term commitment combined in some way, the necessity, in some way, of combining a long-term statement?

Mr. NATHAN. That is a thoughtful way of coming at it. I would say two things. One is, if you are interested in job creation this year and in the next few months, that you have to think about how some public works jobs creation purposes could be achieved in the larger context of legislation that is likely to be moving fairly fast fairly soon.

In that connection, there is good experience to help you get more of what I assume you are interested in reflected in that legislation and to make sure it works.

Your point about unions, and the same applies to civil service, raises other issues that people have learned about from looking at the CETA experience that would be helpful.

The second thing that I think would be interesting for this committee to contemplate for the longer run is whether there would be some way to do what in public finance economics we always tell you not to do, and that is to earmark. That is to say, if, on some long-term basis, there could be an assured flow of funding for waste water treatment and mass transit projects, my view is that Governor Kean is right and you could get planning through the back door. You could get a back door development bank where States would then—and this fits in with Roger Vaughan's theme of decentralization, which I agree with—you could get States to do some creative things. To do that you have to cross committee lines. We are talking about some legislation that is in this committee and some that is not. And you have to violate time-honored principles, as we have done when we earmarked for social security and when we earmarked for the Federal highway fund. But if we care enough about long-term investment in our physical plant, then there may

be another way to get at it. I think this suggestion in Governor Kean's proposal is an intriguing innovative idea, not the way we usually do things in Washington. We usually invent a program, blow trumpets, and have a party. This would be a quiet kind of change, but it could have a material effect on our ability to enhance capital infrastructure.

I would do another thing that New Jersey has pioneered in, that is, put the State in a leadership role to plan and coordinate what local governments do. New Jersey has more power and a better record in supervising local finances and planning than probably any State in the country. So it is appropriate that New Jersey should come to you first.

One final point, you need to look at some history. There are a lot of State institutions that make loans for capital and economic development purposes. Connecticut has been in this business a long time. Pennsylvania and New York have something not too different from what Governor Kean is proposing, which could be enhanced by some change in national policy to have an insured flow of funds for whatever kind of capital projects you want to support. Right now the big ones you support are highways, waste water treatment, and mass transit facilities.

I think that is a very interesting idea.

Senator MOYNIHAN. I wonder if I could just make one point to you antifederalists here, in intellectual, democratic fashion——

Senator DURENBERGER. Did you stick around after you did your federalist-antifederalist thing?

Senator MOYNIHAN. I am sorry.

Senator STAFFORD. Sounds like a reunion in Washington.

Senator MOYNIHAN. I was catching a plane. The largest public works program in the history of mankind was authorized by this committee in 1956, the State Highway System. It has been going 27 years and we are just about finished and we did it with a dedicated tax. It took a long time. It was proposed in 1936 by Robert Moses. It was drawn for all to see, or rather built in a miniature by General Motors and Futurama of the World Fair of 1939. It took 20 years to get going and it has been 25 years getting it about finished.

We are no longer capable of sustaining a long-term effort and a major one. I just want to say the Federal Government has a role in the life of the public.

Senator DURENBERGER. Mr. Chairman, let me add one other specific question. I was reminded of this last week when we had a panel of majors here, because Lloyd Bentsen is so effective both on this committee and finance and to protect his Texas interest, he is a likely sponsor of the one for mass transit.

The question was occurring to me, as I come from a community, as you all know, which has tried to address in a variety of ways this whole infrastructural problem in a sensible way. Minneapolis has had an elective long-range improvement committee for many, many years; citizens helping other elected officials deal with the problem.

The metropolitan council, you all know about. The investment we made not only in direct dollars, but in private investment in our community is a substantial investment.

Houston doesn't have the problems that we have in that we are living with 100-year-old city boundaries, very limited annexation powers, all our subdivisions are built up, the cities are there where the townships used to be. Houston comes along with the power to expand their political boundaries with their economic boundaries but what are they doing about their infrastructure? In that context, is it growth or is it decline that is contributing to some of these infrastructural problems? Is it the new towns, the boom towns, or is it the old cities where a good dollar assessment would show us the greatest need? What is the mix that exists out there?

Mr. PETERSON. Let me make two observations about that question. First, there is no doubt the greatest amount of public investment and greatest amount of debt issuance is occurring in rapidly-growing areas. If you are looking at a need in terms of how much has to be financed, that is where it is.

If you are measuring amount by the backlog to reach any designated standard that hasn't been carried out, it is clearly in areas that generally have been losing population that are old, and are inadequately financed.

Second, the further irony in the allocation, where the needs are most severe, they are severe not primarily because these facilities are old and not primarily because of antiquated technology, because primarily these jurisdictions have not carried out their own repairs and own maintenance for the last 20 years and on a needed standard measurement, that way you have a perverse defect and perverse disincentives of directing the Federal funds, who have done the least to protect themselves the last two decades. That is an almost insuperable problem in principle. It is not in this generation of taxpayers that that occurred, yet there is that irreducible irony that the reason they have those needs is because they haven't carried out their own repair and maintenance programs.

Senator DURENBERGER. There is more of an irony there. There is in my State one of the highest income taxes on individuals and corporations in the country. There is a 6 percent sales tax, there is a relatively high property tax, which we keep cutting down with income and sales taxes, but you go to Texas, and you don't see that same kind of an effort in a state like Texas, and you can imagine in this competition for job opportunities in the private sector, where the jobs are going.

It may be insoluble, but isn't it something we need to consider in the development of a national infrastructural strategy?

Mr. NATHAN. If not insoluble, it certainly is a very big problem, Senator. It seems to me the reason Texas has low personal taxes is that they have big severance tax revenues. That is a federalism equity issue that has become more and more prominent.

As I listen to this, I must say I am more convinced than I was before that the significance of the New Jersey proposal is that it—and Senator Moynihan might not like this so much—is a way of doing infrastructure capital development with some long-term planning supervision and financing on a decentralist, New Federalism basis. It would fit in with a lot of the current feeling on both sides of the aisle about decentralization and the role of State and local governments. I think the key to his bank is the ability, if you

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can find a way to do it, to influence Congress to do something—I don't know if you are going to do it or not—on sewage and transit.

Senator DURENBERGER. Thank you.

Senator STAFFORD. Thank you very much, Senator Durenberger.

Gentlemen, would any of you care to comment on this problem, which is a problem for us, and that is, how much of a problem do you perceive Davis-Bacon to be in any public works projects we may try to come up with for infrastructure? If there is any hesitation, the Chair might say that in the interest of your time and ours, if you are agreeable, we might inquire, if you are willing to answer a few questions in writing at your earliest convenience, rather than catch you with something you might not be prepared to respond to this morning.

Would that be agreeable this morning?

Mr. NATHAN. Fine.

Mr. VAUGHAN. Yes.

Mr. PETERSON. Yes.

Senator STAFFORD. We might include Davis-Bacon as well for someone to comment on it.

Mr. NATHAN. I think that will be a good idea.

Senator STAFFORD. I have two more questions which you can respond to now or later, as you may wish. One is this: How can the overall Federal public works program, dams, highways, sewage treatment, public buildings, and so forth, be reshaped to achieve more without an increase in Federal spending?

Mr. VAUGHAN. I think we addressed that somewhat. I would argue for decategorizing and block granting long-term flow of funds to State infrastructure banks instead of providing that money in the form of grants and let it be used in the form of loans as the New Jersey Infrastructure Bank would work.

Mr. PETERSON. We also made reference to a second possibility, that is, if you look at the pool of tax-exempt capital being generated in toto, in my estimation, and the estimation of the other members of this committee, some reallocation away from industrial revenue jobs toward an infrastructure capital investment would also be desirable.

Senator STAFFORD. Thank you, gentlemen.

This final question: How likely is it that public service employment jobs will serve as stepping stones to unsubsidized employment and what improvements might be made to reenergize this program?

Mr. NATHAN. I would like to start on that. It is close to our work. There is an irony in this. David Stockman yesterday proposed that public jobs funds be targeted on the most distressed communities. Yet those are precisely the places where transition to regular jobs is going to be the toughest, because they are under the greatest fiscal pressure generally. So in hard times, which is a theme of my written testimony, the higher unemployment is, the tougher it is to transition people out of publicly created jobs into continuing public or private jobs. But I am not as pessimistic about that as other people who work in this area. There are two reasons for that: One is that the JTPA legislation targets, as I recall, 90 percent of the money on structurally disadvantaged people, very low-income people who would be eligible for welfare or are on welfare. That is

Questions for the Record for the Infrastructure/Jobs Hearings

1. What suggestion would you have to reshape the overall Federal public works program -- dams, highways, sewage treatment, public buildings, etc. -- to achieve more without any increase in Federal outlays?

2. To what degree are local priorities dictated by the availability of Federal dollars? How can that be overcome?

3. How can the Federal government establish priorities in public works spending?

4. How can a public works job program reach out effectively to unemployed steelworkers, unemployed autoworkers, low-income youths, unemployed women?

5. What kind of jobs programs will reach the unemployed in the most effective way? What programs, in your judgment, have worked and why? which programs have failed and why?

6. It is generally agreed that we will see high rates of unemployment through the next two to four years, even with an improving economy. What would be the most rapid means to put those currently low-skilled, low-wate unemployed workers (who may be bypassed by the economic recovery) back to work and off the unemployment rolls?

7. How likely is it that public service employment jobs will serve as stepping stones to unsubsidized employment? What improvements might be made to re-energize this program?

8. Some seven million women are the heads of families today. The unemployment rate for female heads of households is 12%. What efforts could be made to target women (and other groups of high unemployment) in a federal jobs creation program?

1. Without any new Federal outlays, very few new jobs can be created (above and beyond those jobs "scheduled" to be created). However, the existing and/or potential jobs associated with current Federal public works projects should be created in areas where they are most needed. This requires targeting of available public works dollars. The monies should be spent (and the jobs created) in local areas of high unemployment (above 8.5% and in areas with disproportionately high numbers of low-income residents.

2. Federal mandates do dictate local priorities for capital spending primarily in the area of Waste Water Treatment Plants and Sewer Construction Programs. Hundreds of millions of dollars will be spent locally to meet Federal requirements of the Clean Water Act. Federal grants which pay for 70% - 90% of project costs, certainly impact local priority-setting and decision making. Federal grants which do not require a local share (e.g. Community Development Block Grants) complement rather than dictate local priorities. I strongly advocate the block grant approach for Federal assistance to local governments.

3. It behooves the Federal Government to follow the lead of Local and State Governments in establishing a Capital Budget and Capital Improvement Program for funding capital projects. The process of Capital Budgeting and Programming imposes a discipline for setting priorities and allocating resources in a more comprehensive and systematic manner. Capital Budgeting and Programming lends itself to developing projects which meet stated objectives, such as, replacing deteriorated infrastructure, creating jobs, stimulating a local economy, etc.

   Of course, Capital Budgeting has the added benefit of reducing Federal deficits which are caused, in large part, by pay-as-you-go financing of capital projects. A separate Capital Budget, financed over the useful life of the project, is the accepted mechanism for funding capital projects, both in the private as well as local public sectors.

4. The only rational way to target Federal public works jobs to such a variety of unemployed populations is to fund a variety of public works projects - projects requiring different skills. Obviously, a job created for an unemployed steelworker will differ dramatically from one created for a low-income teenager. The secret is to fund some projects calling for relatively skilled workers - welders, mechanics, heavy equipment operators and carpenters (e.g.) can be put to work on "construction-oriented" projects - while simultaneously funding other projects calling for lower skilled or unskilled workers - people with no work history, school dropouts, etc., can be put to work (and trained) on such projects as routine building maintenance, day-care staffing, weatherization, school aides. The latter alternative obviously requires adequate supervision and is, as a result, more costly. But clearly, any public works project must include both "hard" and "soft" projects. Finally, Federal monies can be used to employ skilled supervisors to train unskilled persons in certain labor-intensive projects.

5. Public Service Employment, was successful. Originally established as a counter-cyclical strategy, PSE succeeded in putting 300,000 low-income, unemployed persons to work each year. And as a training strategy (which PSE was not originally intended as), PSE was also successful in imparting marketable job skills and job behaviors to participants.

   PSE was particularly successful in Baltimore because it was heavily supervised and because PSE was woven into our overall community agenda. Projects were designed to (a) provide important community services (eg: rat control, attendance monitors in the schools, weatherization, literacy tutors, et.al.), (b) train the unskilled (in carpentry, weatherization, tutorial skills, office work, etc.), and (c) provide jobs for unemployed (at its peak, over 5,000 Baltimoreans per year). The Federal government can ensure success by:

   1. Providing adequate resources (at least $12,000/year/job plus the often overlooked costs of materials, supplies and supervision).
   2. Distribute the funds to local governments who are best able to design and start projects quickly.

6. First, make job creation a permanent component of a Federal manpower policy. Second, target the monies to the areas in greatest need. Third, appropriate enough money to employ a significant number of unemployed. Fourth, allocate the money to local governments as quickly as possible and give them sufficient flexibility to tailor work projects according to their needs.

7. Both public and private research efforts have demonstrated that CETA Public Service Employment did serve as a "stepping stone" to unsubsidized employment. In a multi-year, longitudinal study of PSE (CETA) and of the Public Employment Program (the Emergency Employment Act), the Johns Hopkins University found the following (from a random sample of 1,717 former participants):

   SUBSEQUENT EMPLOYEMENT
   - 48% had obtained unsubsidized jobs at the time of termination
   - 59% were working one month after termination
   - 66% were working after six months
   - 70% were working after one year
   - 78% were working two years after termination

   SUBSEQUENT EMPLOYMENT OR FURTHER TRAINING
   - 76% were either employed or enrolled in school or other training one year after termination
   - 82% two years after termination

   UNEMPLOYMENT
   - 26% were searching for a job one month after termination
   - 6% were searching five years after termination (note: this is especially significant when considering that this occurred at a time when the average rate of unemployment in the Baltimore area was worsening).

   WAGES
   - after adjusting for the CPI, individuals averaged a 16¢ per hour improvement from their pre-program job to their first job after leaving the program.
   - and they averaged a 93¢ per hour increase from their pre-program job to their job at the time of interview.

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Infrastructure and Jobs

The Senate Committee on Environment and Public Works hearing re Infrastructure and Jobs was inadvertantly not assigned a publication number.

The correct designation is S. HRG. 98–32.

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